The NATIONAL UNDERWRITER

Life Insurance Edition

FRIDAY, JUNE 27, 1952

THE NATIONAL UNDERWRITER Life Insurance Edition. Published weekly by the National Underwriter Company, Office of Publication, 175 W. Jackson Blvd., Chicago, Ill., U.S.A. 56th year. No. 26, Friday, June 27, 1952. $5.00 per year (Canada $6.00). 20 cents per copy. Entered as second class matter June 9, 1900, at the post office at Chicago, Ill., under Act of March 3, 1879.

LIFE INSURANCE EDITION

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June 27, 1952
56th Year, No. 26

Bohlinger Against Separate Limit for Agent's Pay

Condemns Principle as Unworkable and Subject to Politics

The principle of making the limit on the soliciting agent's commissions separate from and not subject to other expense limitations applicable to a company appears to be in for strong opposition from the New York department, judging from the talk which Superintendent Bohlinger made at the meeting of the Milwaukee Life Underwriters Assn. last week.

A. J. Bohlinger

This principle of separation was embodied in the life companies' proposed article IX-F, which lost out in the 1952 legislative season after two hearings before the Condon committee of the legislature and numerous conferences between company and insurance department representatives.

Agrees on Principle But . . .

While agreeing in principle with many of the changes sought by the companies and the agents, Mr. Bohlinger at Milwaukee expressed strong doubts about the separation principle. After citing considerable history indicating the unworkability of privately administered commission controls in the fire and casualty business, Mr. Bohlinger said:

"If it can be accepted as a fact that the private regulation of commissions as a separate unit of expense is predoomed to failure, I wonder if it cannot also be accepted as a fact that public regulation will be equally unsuccessful? I pose this question because the entire problem seems to be bottomed on a human characteristic—the fact that people think of price or wage ceilings as floors. The entire history of wage and price regulation in this country since 1933 demonstrates to me the validity of that conclusion."

Mr. Bohlinger also expressed the fear that politics would rear its ugly head more sinisterly if commission limitations in the law were not intermingled with other control factors but stood starkly forth in the statute for all the world to see and take at face value.

"For nearly a quarter of a century, the expense limitation section of the insurance law has joined the element of 'commission' and the element of 'other expenses' into a single limitation," he said. "The administration of our law has been remarkably free of politics. Will the same result follow if commissions are controlled separately? It occurs to me that the present organization of our expense control section, with its integration of commissions and other expenses, has tended to channel the discussion of commission rates into the hands of those most directly concerned—company executives and agent's representatives. Should we discard lightly the known advantages of an expense

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Fireworks Fizzle at N.A.I.C. A. & H. Meeting

The report of the subcommittee on policy benefits in relation to premiums that was to have been the big event of the A. & H. committee meeting at the N.A.I.C. convention at Chicago turned out to be practically a dud, and the sweltering participants at this affair had to be content with lesser issues. The subcommittee, reporting that it could achieve no unanimity on the question of setting up a yardstick as to loss ratios on various types of A. & H. policies, asked that it be dismissed.

John W. Wickstrom of Michigan, chairman read the subcommittee's report. He said the group had hoped to be able, basing its ideas on five pages of attached statistical material, to come up with a formula of some kind that the states could use as an indication of whether benefits were actually too low in relation to premiums. However, the members of the subcommittee could not come to any agreement, he explained.

Donald Knowlton of New Hampshire presided at the meeting, and he said the A. & H. committee would study the report in executive session and might perhaps decide to organize another subcommittee to deal with the problem. Day of Illinois added that he could not see why, just because the subcommittee members could not achieve unanimity the matter should be dropped. The industry representatives, not having had a chance to see the report beforehand, had no suggestions.

Blue Cross Report

Crichton of West Virginia read the report of the subcommittee on Blue Cross and Blue Shield, the heaviest emphasis here being on the question of Blue Cross reserves. The subcommittee recommended that the N.A.I.C. reports of 1944 and 1945, advocating a five months' utilization cost as a proper reserve, be reaffirmed. There is need also for more uniformity in state laws dealing with these organizations, he said.

After reading off the agenda item on the clause in A. & H. and Blue Cross contracts excluding coverage when the insured is hospitalized in government hospitals, Mr. Knowlton asked for comments. No one seemed to have much to say, and finally C. O. Pauley, managing director of H. & A. Underwriters conference, remarked that the conference and Blue Cross commission had sent to the commissioners a letter on this subject. The Arizona medical society, he added, has come out against this sort of payment on the grounds that it put the government doctors and hospitals in competition with local facilities.

Mr. Crichton observed that he could not see what action the N.A.I.C. committee could take. He moved that the matter be stricken from the agenda since the committee would otherwise simply be helping continue an argument between two third parties. This was the signal for five gentlemen in the first row to take a walk, and they were identified as government men, one of them being F. J. Frankina, of the veterans administration staff who had forcefully argued this point at the December meeting of N.A.I.C.

There was a good amount of discussion between Maloney of California, Joseph F. Follmann, managing director of Bureau of A. & H. Underwriters, Mr. Pauley, and Mr. Knowlton on the problem of whether on the front of the A. & H. policies there should be anything said about the conditions of renewal. Under the new standard pro-

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Uniform Deposit Law Goes to NAIC Unit, Industry Apathetic

The proposed uniform deposit law was offered without enthusiasm to the N.A.I.C. subcommittee on uniform deposit laws and regulations and security or insolvency funds at the Chicago meeting Monday by J. Raymond Barry, general counsel of National Board of Fire Underwriters, in behalf of an industry committee. The N.A.I.C. committee is headed by Kavanaugh of Colorado. The industry committee appointed in accordance with action taken by N.A.I.C., said this model law does not disturb in any way existing laws which require an alien insurer to trustee assets when entering the U. S. When an alien company, after entering the U. S., undertakes to do business, this law would apply just as it would to a company organized under the law of one of the states.

This law is intended to apply to insurers other than life. The life people say there is no serious problem for their branch of the business as a result of special deposit laws.

Against Deposits Generally

Those branches of the business represented on this committee, to which this law would apply, are opposed in principle not only to special deposits but to deposits generally. The model law represents an effort on the part of the business to cooperate with commissioners, recognizing that special deposits present an immediate problem and that the elimination of general deposits may, as a practical matter, lie sometime in the future. It does not represent any lessening of opposition of such branches to deposits whether general or special. The model law would require the maintenance of a deposit of $100,000 with the commissioner of some state. This would be held for the benefit and protection of all policyholders in the U.S.

Mr. Berry during the informal discussion period expressed the belief that it would be impracticable to try to repeal the general deposit laws at this time because the public thinks that these deposits provide something in the way of protection. They give the public a false impression of the availability of funds. Actually the general deposit doesn't give anything of this nature but from a practical standpoint it is not wise to suggest repeal.

Cheek of North Carolina opined that the agents created the impression that these deposits have significance. They advise their prospects to patronize insurers that have a deposit in the state as against mail order insurers, for instance. Perhaps it would be well to get up a frank statement that could be given to the public on the nature of these deposit laws. It is not doing the public a service to lead them to think they have security in these deposits when as a matter of fact they do not.

Bisson of Rhode Island said that Preferred Accident constitutes a fine example of the advantages of a general deposit situation. This company, which is in receivership, had special deposits in 13 states amounting in all to $780,000. This complicates the receivership and adds to the expense. If Bohlinger of New York had all of his deposits in one spot it would be far better.

Kavanaugh of Colorado presented a report on security or insolvency funds. He said the "pursuit of that elusive will-o-the-wisp we call security" may be as legitimate a human objective as what the founding fathers call the pursuit of happiness. "Certain it is," he went on to

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Commissioners Put in Exhausting Week at Chicago

N.A.I.C. Sessions Are Stretched Out and Many Questions Tackled

By LEVERING CARTWRIGHT

National Assn. of Insurance Commissioners is winding up a hard working, fatiguing week, at its annual convention at Chicago. Almost without intermission, from early Sunday morning, through Thursday, the commissioners and camp followers were herding themselves from one meeting room to another. Most of the time there were at least two committees in session at the same time and often three or more. Sunday was perhaps the most rugged day of all, as 11 committee sessions were run off at that time.

The final score of the convention can't be told this week because of a change in the practice, whereby action on all committee reports is being taken at an executive session for commissioners only on Thursday. The idea is that by that time in convention week all the rhubarbs will have been heard and just the head professors, in their cloisters, will give the verdicts.

As a matter of fact there are not too many matters this week that are giving any element of suspense to the Thursday session. About the only one is the question of profit factor in casualty rate making. A battery of company chief executives made an appearance at a session Monday entering a plea for a 5% factor against the N.A.I.C. committee recommendation of 3½%. According to the grapevine the committee in executive session split 4 to 4 on this, which apparently means a defeat for the industry forces unless some last minute change is effected.

Interest in Election

There is considerable interest in the election of new officers, especially in the choice of the chairman of the executive committee, who in normal course would be president in 1954. The gambling element is giving long odds on George Butler of Texas even though his election would give a monopoly to Dixie, with Martin of Louisiana president, Murphy of South Carolina vice-president and Bowles of Virginia secretary. Others in the running for executive chairman are Bohlinger of New York and Maloney of California.

The winter meeting is to be held Dec. 7-11 at the Commodore Hotel, New York. The June, 1953, meeting will be at San Francisco and the December, 1953, gathering probably in Florida.

Arrangements Are Praised

Registrations totaled about 900. There was praise on all sides for the local arrangements. Entertainment was held to a minimum, but every convenience was attended to for the smooth running of the convention machinery and the Conrad Hilton hotel not only swallowed that crowd, but handled a big retailers' group at the same time. The layout for committee sessions was never better. If attendance at a committee session was

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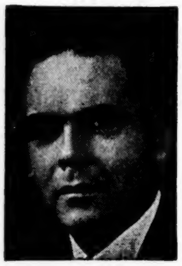
Dineen Calls Upon Companies, States to Unite on Taxes

Tax Freedom of Federal Enterprises Should Not Exist

The states and the insurance companies, which once united impressively on the regulatory front, need to present the same sort of unanimity against steady federal tax encroachment, Robert E. Dineen, vice-president and secretary of Northwestern Mutual Life, declared at the luncheon during the National Assn. of Insurance Commissioners meeting at Chicago. Mr. Dineen, addressing the central formal event of the week, was in usual fine humorous form in exchanging remarks with Director Day of Illinois on the parallelism in their careers as cabinet ministers of potential presidents. But Mr. Dineen was earnest in his thesis that the federal government is destroying its very sources of taxation by the unfair tax advantage government enterprises enjoy over private. He felt that the states and the insurance companies should object to tax advantages to government insurance and other government enterprises. He said that insurance men must have the will to stop at tax concessions even when they result in a short-term gain for the business.



R. E. Dineen

S. S. Premiums Eligible

He suggested that social security premiums are eligible for taxation and should be taxed if life insurance premiums are taxed. The cry of the federal bureaucrats has been that it would not be right to levy taxes on the small savers by any sort of taxation of social security proceeds, but by the same token it is not right to tax the life insurance business, Mr. Dineen declared.

The business should never lose sight of the fact that policyholders and stockholders pay the taxes, he indicated. So far policyholders have not felt that they are in the fight, but they are the ones who pay.

Mr. Dineen cautioned that those seeking to develop equitable tax formulas should remember that changes in times can affect comparisons between different types of companies mightily. This is why so much caution and understanding has to be applied to the problem. He indicated that any tax formula can produce strange results and cited the years 1947-48 when the tax legislation developed for life insurance companies actually resulted in no taxes being paid by those companies. This was a situation unforseen by the architects of the legislation.

Mr. Dineen commented that any inequality in taxes will act eventually as an irritant unless removed. He said that differences in tax treatment can mean the difference between success and failure of enterprises. In support of his feeling that something can be done about taxes, he cited the 1949 legislative action under Gov. Dewey in which premium taxes on workmen's compensation premiums in the state fund were established.

As an example of how tax concessions come home to roost, he spoke of the

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JOHN BARKER, JR., AT MDRT

Urges Testamentary Trust for Transfer of Renewals

BRETTON WOODS, N. H.—The least complicated and risky way for an agent to take advantage of the marital deduction in passing his terminal renewal commissions on to his widow, and perhaps the best course in any event, is to create a testamentary trust, said John Barker, Jr., vice-president and general counsel of New England Mutual, at the meeting of the Million Dollar Round Table.

If the agent has minor children he has a responsibility to select some reliable person or bank to receive and administer for their benefit those funds that may be payable to them in the event they should be deprived of both their parents, Mr. Barker pointed out.

"The testamentary trust affords him a chance to be forehanded and anticipate the hazards of life and chance that may befall his children," he said. "For the same reason, a testamentary guardian should be appointed and in most states the trustee and the guardian will automatically qualify when the will is allowed."

Must Give Right to Appoint

If the agent wishes the marital deduction, then the trust must confer upon the wife the right to appoint the entire corpus free of the trust, which may be exercised in her favor or that of her estate. If she exercises this power, the income tax difficulty will arise, because if she disposes of her interest by gift or bequest then the commuted value will be loaded into her personal income tax return. However, there is a recent revenue bureau ruling, in the Zekind case, that may relieve her from this income tax burden.

However, there is no law against urging her not to exercise this power, nor against praying that she won't. If she doesn't, then section 126(a)(2) should not apply to impose an income tax on the account of her death, because the renewals then remaining will not be transferred by her but will pass under the agent's own will.

Testamentary Trust Flexible

"The testamentary trust is extremely flexible," said Mr. Barker. "It may provide for income to the widow so long as she lives and then to the children either until they reach majority or perhaps until the end of the renewal payment period. The income payments could be spread so that the beneficiaries would receive a level amount rather than one dependent upon premium persistency. Although it is not essential that the trust be continued beyond the majority of the children, in most cases this course would appear advisable. In the alternative, the trust could provide depend on whether she has an understanding of business and finance. Since in all probability the trust would continue after her death, the other trustee should either be a bank or a trusted adviser."

"The wife may be named as co-trustee, if desired, although this should probably that upon the death of the wife the trustee may assign the interest to other beneficiaries of the agent's own choos-

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BANKERS L. & C. ACTIONS

Georgia Appeals Court Upholds Two Indictments

Georgia court of appeals upheld indictment of two Bankers Life & Casualty officials on the grounds that they bribed a state insurance department employe. C. F. Brusnighan, vice-president and James A. Ross, Atlanta general agent of the company, had previously failed to get the indictment dismissed in Fulton superior court.

The Bankers L.&C. men are charged in the indictment with bribing Jenny Falks Salomon, clerk in the Georgia department. The indictment charges they paid her $500 and promised her a lifetime job with the company at a salary of $325 per month in exchange for copies of letters Commissioner Cravey wrote to other insurance commissioners and for a transcript of N.A.I.C. meetings.

Judge Carlisle said the indictments properly charged an offense under a code which provides imprisonment from two to 10 years for withdrawing any record belonging to any public office.

Bankers L. & C. was in the court in Illinois also last week, bringing suit against Director Day of Illinois in the Superior Court of Cook County. Director Day had held that single premium life policies issued by the company on the lives of 2,345 employes were improper in premium and interest rate charged on policy loans. Bankers L. & C. had paid the premiums. Mr. Day enjoined the company from including the figures on policy loans, premium income and interest from these contracts in the 1951 statements The policies were issued last November.

Bankers L. & C. is seeking to have the court nullify Mr. Day's directive.

Senate Passes Amended SS Bill

WASHINGTON — The Senate finance committee has recommended passage of the Doughton social security bill with amendments which would (1) delete section 3 of the bill relating to the freezing of benefit rights for permanent and total disability; (2) increase from $50 to $100 per month the amount of earnings by OASI beneficiaries, as compared to the House-proposed increase to $70 per month, without forfeiting benefits; and (3) delete section 6 liberalizing coverage of certain employes under state and local governmental retirement systems.

The finance committee decided on this course rather than recommend streamlined action on the Doughton bill "as is." Chairman George said he expected prompt Senate passage.

Deleted from the measure are controversial provisions relating to computation of benefit rights of permanent and totally disabled claimants, which many considered an opening wedge for the administration's socialized medicine program.

The bill would increase benefits to about 4,500,000 persons on the OASI roll by $5 per month or 12½%, whichever is greater, also by similar amount to workers retiring in future.

The bill is described by its critics as almost identical with H.R. 7922 proposed by Rep. Reed, New York, as a substitute for the original Doughton bill.

Senator McFarland, Arizona, majority floor leader, has indicated he will offer, as an amendment on the floor, a proposal for $5 per month increase in benefit payments to the totally disabled and others under public assistance programs.

The finance committee considered a similar proposal, but took no action on it. However, favorable Senate action on it is expected by insurance observers. They expect House acceptance.

LATE NEWS

Butler of Texas defeated Maloney of California 33 to 12 in the hotly contested race for chairman of the executive committee of N.A.I.C. Officers elected were:

President — Wade O. Martin, Louisiana.

Vice-president—D. D. Murphy, South Carolina.

Chairman executive committee —George Butler, Texas.

Secretary—George Bowles, Virginia.

Executive committee members at large: Lawrence Leggett, Missouri; J. H. Navarre, Michigan, and Donald Knowlton, New Hampshire.

* * *

The slate headed by Sophie Lubroth of the Bergen-Eiber agency of Mutual Trust Life and printed in THE NATIONAL UNDERWRITER for May 23 was unanimously elected at the annual meeting Thursday of the Brooklyn branch of the New York City Life Underwriters Assn.

* * *

Dr. Louis I. Dublin, 2nd vice-president and statistician of Metropolitan Life and one of the nation's best known public health authorities, will retire Dec. 31. He joined the company in 1909 and has headed the statistical bureau since organizing it in 1911. Edward A. Lew, associate actuary, who has been with Metropolitan since 1926, will become associate actuary and statistician. Mortimer Spiegelman, assistant statistician, will become associate statistician. He has been with the company since 1926.

* * *

M. L. Camps, general agent at New York City for John Hancock, was reelected to a third term as chairman of Research Agencies Group at a meeting at Osterville, Mass. William E. Hays, general agent of New England Mutual at Boston, was named to the executive committee to serve with Mr. Camps and Charles J. Zimmerman, managing director of L.I.A.M.A., who is the director.

* * *

Security Mutual of Binghamton has appointed Clarence S. Justice as new general agent at Detroit. Mr. Justice joined Security Mutual in 1944 and is president of Wayne County Assn. of Life Underwriters.

* * *

Amendment of the internal revenue code to exempt certain voluntary beneficiary associations providing insurance from the tax on corporations is proposed in a bill by Rep. Walter, Pennsylvania.

Viehmann Loses Court Fight Against World L. & A.

The Wayne county circuit court at Richmond, Ind., has held that World Life & Accident of Richmond is not insolvent under the 1897 assessment act. Commissioner Viehmann has been seeking for some time to place this company in receivership.

WHOOSH BY MOST ITEMS

Proposal for A. & H. Probe of Group Is Presented at Open Life Session

By RICHARD J. THAIN

Chief characteristic of the open life committee session at the N.A.I.C. meeting at Chicago was that almost every item on the agenda was whooshed with breath-taking speed into executive session. The affair would have been as dull as it was hot if it had not been for Maurice H. LeVita of the Maryland department. Mr. LeVita seemed the only one in the jammed, oven-like room who was inclined to undertake any sort of a project in the name of the life committee. Mr. LeVita, who is actuary of the Maryland department, rose from the floor with proposals on several occasions, the most startling of which had to do with his desire that the life committee investigate the group rate situation and to what extent group life and casualty are mixed for experience purposes. Mr. LeVita explained that he was getting at instances where group is sold on a package basis and the life companies pay dividends on the basis of lumping together the life and the casualty experience. In the light of the poor group casualty experience, he thought that the group A. & H. rates should be investigated and that group casualty forced to pay its own way.

Met With Silence

A rather protracted silence greeted Mr. LeVita's proposal until Day of Illinois begged someone from industry to comment upon the situation, saying that the commissioners were interested in hearing what the companies have to say about the group casualty situation.

Buist M. Anderson, vice-president-counsel Connecticut General, answered that it is generally regarded as proper for companies to figure all lines in one in assessing the experience on a particular group. He said the question does arise as to whether there should be "loss leaders" in the life business. Switching the discussion to individual business, he noted that there are companies which as a loss leader, will overlook the aviation hazard to pilots and write them at an unjustifiably low premium. What it amounts to is that other policyholders have to support the aviators, he declared.

Victor Lutnicki, counsel for John Hancock, commented that these matters would have more properly been brought up a year ago. He said that the life companies since have taken vigorous steps to correct the group A. & H. rate situation and that the subject is receiving serious and adequate consideration.

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Commissioner Maloney of California, talks things over at the N.A.I.C. meeting with Life Commissioner Butler of Texas.

N.A.I.C. Angered by Position of Military Brass

Charge Tax Insurance Rule at Camps Aids Retired Generals-Admirals

In a mood of frustration and indignation at the Defense Department's unyielding position and with some sharp digs at the motives of the top brass, the N.A.I.C. subcommittee on solicitation of life insurance at military bases this week at Chicago reported inability to make progress and asked that the committee be discharged. Day of Illinois was chairman.

Not only was the subcommittee unable to get the Defense Department to budge from its rule that an agent or company may solicit at a fully ceded military base if licensed in any state in the country, but Anna Rosenberg holds that the camp commander "must" permit solicitation under such circumstances. The N.A.I.C. committee wanted a rule requiring the insurer and agent to be licensed in the state in which the camp is located.

Southall of Kentucky, chairman of the unauthorized insurance committee, asserted that so long as "military brass" is put on the payroll of small insurers that go after military business, nothing can be done to stop free and easy solicitation of military personnel.

Laughlin of Nebraska said many of the retired generals and admirals are going on the payrolls of these companies.

"Looks After Retired Brass"

"The brass at Washington," Southall said, "is going to look after the retired brass."

Day cited what he said is a "serious example" of the problem. He displayed a policy of Armed Forces Life of Texas headed by Gen. Jonathan Wainwright. This carried prominently the legend that it pays something over $8,000 as a life insurance benefit, but this is payable only after the assured had paid a $10 monthly premium for 40 years. This had coupons attached. At the outset the policy paid only $182. Then he cited correspondence from Gen. Wainwright with a woman in Massachusetts saying that her son had taken out a policy, and expressing the hope that he would keep up the premium. The son died and there was a letter from the company saying that there was no record of a policy ever having been issued.

Scandal Could Rock Business

Gaffney of New Jersey said when he and Day were at Washington it was obvious that the Defense Department had no conception of the underlying danger. They seemed to think it was somehow unpatriotic to warn against specialization on the part of thirty financed insurers in selling insurance without war clause. Probably, he said, no harm will come unless we get in an all-out shooting war. If that happens, there will be a scandal that will rock the life insurance business.

Mr. Gaffney said that until last November the commander at Ft. Dix in New Jersey was fully cooperative and required that both company and agent be licensed in New Jersey. At that time, apparently, he was cracked down on from Washington and Camp Dix was opened up to solicitation under the lax Defense Department rule.

Midwestern Life has named **Thomas E. Hall** general agent at Lafayette, Ind.

N.A.I.C. BRASS MEETS

Omit Staff Men from Voting on Committee Reports

The executive committee of National Assn. of Insurance Commissioners at a session Sunday afternoon at Chicago, by a vote of 8 to 6, decided in favor of holding a session for commissioners only, excluding the departmental staff members, to take final action on approval or rejection of committee reports. This year such a session is being held on Thursday of this week.

Frank Sullivan of Kansas, the president of N.A.I.C., said he favored this change in procedure. For one thing, the final plenary session in the past has been confused. Copies of reports of committees are not available generally and many members often may have only a hazy notion of what they are voting on. Frequently it is six weeks or longer after the meeting before the commissioners get the committee reports.

Would Be Truly Exclusive

Day of Illinois inquired whether the idea is that ultimate action on committee reports will be taken when members of the departmental staff are not present? Mr. Sullivan replied that this was the intention. Mr. Day objected saying that he wanted members of his staff present. Mr. Sullivan also said that the press would be excluded from the executive session.

Bohlinger of New York said he approved of the idea but he did not understand that the departmental staff was to be excluded.

Martin of Louisiana said the idea would be to take care of all matters beforehand except saying yes or no on a report. He voiced the belief that there is an advantage in deferring the final vote to the next day. That gives the commissioners an opportunity to sleep on some of these matters.

Crichton of West Virginia said if he needs assistance in casting his vote, that should be up to him and he would vote against the proposed exclusiveness of such a meeting. Leslie of Pennsylvania said that there are advantages to the staff from hearing comments at the meeting and he objected to their exclusion. Maloney of California asked what objection there could be to having members of the staff on hand. Cheek of North Carolina said he thought it was a good idea "to have just us there."

Dickey Favors "Bull Session"

Longshore of Alabama said it is the commissioner who makes the decisions so "let's go." Dickey of Oklahoma suggested that at the Thursday morning session the staffs might be permitted to be present for voting on committee reports, but excluded Thursday afternoon when the commissioners could have a "bull session."

Frank Sullivan said that action should not be taken to amend reports at the executive session. If there are any proposals up for amendment, then the industry should be in on this. He contended that the staff should not be kept on at the convention city for an extra day, as this would add to the expense. The staff should be sent home, he said.

There was a discussion of the proposal by Lange of Wisconsin for each state to file with the central office, records of agents and brokers licenses that are revoked. He said that an agent whose license is revoked in one state sometimes goes elsewhere and becomes licensed and this might be prevented if the information were on file centrally.

This proposal was referred to the central office committee.

On the matter of arranging for future N.A.I.C. meetings, Murphy of South Carolina, the executive committee chairman, noted that it had been previously decided to hold the December, 1952, meeting at New York. On invitation of Maloney of California, it was voted to hold the June, 1953, meeting at San Francisco. Bohlinger of New York said that Lake Placid has offered it an invitation for the June, 1954, meeting.

E. A. Faircloth, Florida deputy, presented invitations from Florida for December, 1953, and this matter was referred to a special committee. The indications were that Florida would be it, but just what city would be selected was uncertain. The decision apparently was among St. Petersburg, Palm Beach and Miami.

Cheek of North Carolina, as chairman of a committee on central office procedure, recommended that the association determine in a more definite way

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TWO 1951 FIRSTS

Group Premiums Cross $2 Billion Mark; A.&H. Passes All Others

GROUP INSURANCE AND GROUP ANNUITY COVERAGE — CONTINENTAL UNITED STATES BUSINESS — 1950 AND 1951

All Life, Accident and Health, and Casualty Insurance Companies

Estimated by the Life Insurance Association of America from data contributed by 310 United States and Canadian insurance companies

Kind of Coverage	Year	New Business Issued During Year: Number of Master Policies	New Business Issued During Year: Number of Individuals Covered	New Business Issued During Year: Total Amount of Coverage	Total in Force December 31: Number of Master Policies	Total in Force December 31: Number of Individuals Covered	Total in Force December 31: Total Amount of Coverage	Premiums and Considerations During Year
Group Life (not including Group Creditor's Life or Wholesale Life) Employee Coverage	1951	8,630	1,770,000	$4,072,300,000	61,450	21,011,000	$54,293,200,000	$582,300,000
	1950	8,590	2,501,000	6,029,700,000	55,840	19,006,000	47,638,400,000	527,400,000
Dependent Coverage	1951	140	96,000	55,100,000	450	367,000	178,000,000	1,100,000
	1950	120	91,000	58,300,000	370	249,000	123,500,000	700,000
Group Creditor's Life	1951	2,460	2,208,000	818,900,000	11,550	9,077,000	3,585,800,000	30,700,000
	1950	2,460	2,425,000	1,117,900,000	10,230	8,572,000	3,148,500,000	21,200,000
Wholesale Life	1951	Units 2,110	28,000	61,300,000	Units 31,030	277,000	552,400,000	10,100,000
	1950	2,490	32,000	71,100,000	31,070	292,000	568,500,000	10,000,000
Group Annuities	1951	330	203,000	Annual Income 17,700,000	3,030	2,535,000	Annual Income 721,800,000	784,900,000
	1950	300	111,000	7,900,000	2,660	2,146,000	610,800,000	674,600,000
Group Accident and Health (Weekly Indemnity)	1951	26,570	1,493,000	Weekly Indemnity 42,000,000	203,100	17,992,000	Weekly Indemnity 423,800,000	356,600,000
	1950	118,920	4,776,000	131,300,000	175,780	15,104,000	365,100,000	272,300,000
Group Hospital Expense Employee Coverage	1951	12,770	1,582,000	Daily Benefit 15,400,000	64,390	12,132,000	Daily Benefit 88,900,000	128,300,000
	1950	12,640	2,013,000	18,900,000	51,800	10,057,000	68,000,000	97,400,000
Dependent Coverage	1951	11,510	2,236,000	Daily Benefit 18,200,000	52,220	14,531,000	Daily Benefit 102,000,000	151,600,000
	1950	11,340	3,148,000	24,100,000	40,900	12,248,000	74,300,000	103,600,000
Group Surgical Expense Employee Coverage	1951	12,660	1,666,000	Maximum Surgical Benefit 347,300,000	65,540	12,586,000	Maximum Surgical Benefit 2,327,600,000	68,700,000
	1950	13,570	2,333,000	489,400,000	53,560	10,309,000	1,809,300,000	55,000,000
Dependent Coverage	1951	11,250	2,457,000	Maximum Surgical Benefit 460,600,000	49,730	13,790,000	Maximum Surgical Benefit 2,340,100,000	99,200,000
	1950	12,340	3,650,000	652,500,000	39,740	10,910,000	1,688,000,000	67,900,000
Group Medical Expense Employee Coverage	1951	8,290	910,000	...	22,700	4,530,000	...	17,100,000
	1950	5,640	1,519,000	...	*14,570	*3,465,000	...	10,100,000
Dependent Coverage	1951	5,190	941,000	...	12,200	3,416,000	...	8,400,000
	1950	3,510	1,061,000	...	6,580	2,179,000	...	4,200,000
Group Accidental Death and Dismemberment	1951	9,680	1,517,000	Principal Sum 2,521,900,000	48,920	9,470,000	Principal Sum 19,539,400,000	23,200,000
	1950	8,110	1,578,000	3,276,200,000	38,430	8,073,000	16,217,100,000	18,400,000

TOTAL PREMIUMS AND CONSIDERATIONS

Year	Group and Wholesale Life	Group Annuities	Group Accident and Health	Total
1951	$624,200,000	$784,900,000	$853,100,000	$2,262,200,000
1950	559,300,000	674,600,000	628,900,000	1,862,800,000
1949	488,800,000	517,500,000	460,400,000	1,466,700,000
1948	458,500,000	538,400,000	385,600,000	1,382,500,000
1947	402,000,000	449,500,000	306,200,000	1,157,700,000

* Revised

Master policies and certificates providing more than one coverage were counted for each kind of coverage.

The annual survey of group coverage by Life Insurance Assn. developed the startling fact that premiums from group A. & H. increased by more than $200 million last year to $853,100,000. During the past five years, the volume of group A. & H. premiums has nearly tripled. Group A. & H. figures surpassed those from any other category for the first time during 1951.

The total premium of all the group coverages during 1951 crossed the $2 billion mark, for the first time in history. Group annuities totaled $784,900,000 in premiums compared with $674,600,000 in 1950. Group and wholesale life premiums totaled $624,200,000 as compared to $559,300,000.

Loss of time coverage protected 17,992,00 persons at the end of 1951 as compared to 15,104,000 a year earlier.

There were 12,132,000 employes and 14,531,000 dependents protected against hospital expenses. Group surgical covered 12,586,000 employes and 13,790,000 dependents at the end of 1951 for a total of 26,376,000 persons compared with the 1950 figure of 21,219,000.

Group medical expense, the newest form, was extended to 7,946,000 persons, including 4,530,000 employes and 3,416,000 dependents.

Life Covers 21 Million

There was coverage of $19,539,400,000 provided to 9,470,000 persons under group accidental death and dismemberment. There were 21,011,000 persons covered by $54,293,200,000 of group life under 61,450 master policies. This compares with 19,000,006 persons covered by $47,638,400,000 of group life in force and 55,840 master policies in 1950. Group creditors' life was extended to 9,077,000 persons under 11,550 master policies. The amount in force was $3,585,800,000.

The only decline was shown on the wholesale life coverage on which there were 277,000 individuals covered with $552,400,000 of such insurance. This undoubtedly reflects the tendency of group contracts to be written on smaller employe units than in the past.

There was a marked rise recorded in group annuities which covered 2,535,000 persons under 3,030 master policies. An annual income of $721,800,000, mostly in full paid-up units, was provided at the year-end.

Accompanying this story is a table presenting the over-all picture, which was prepared by the Life Insurance Assn.

Equitable Argues Against Group A.&H. Special Reserves

Opposition on several important points to the suggestion that the commissioners require special contingency reserves for group A. & H. was voiced by J. Henry Smith of Equitable Society at a committee hearing on that subject at the N.A.I.C. Chicago convention.

The idea that such reserves be set up was advanced at the last N.A.I.C. meeting by Victor A. Lutnicki of John Hancock. A subcommittee of the life committee was organized to deal with this, with Bohlinger of New York as chairman. Mr. Bohlinger indicated at the outset of the meeting that the question is one of moment to the casualty and specialty companies also.

Albert Pike of Life Insurance Assn. said the Life companies feel that if reserves are demanded on group A. & H. they should be required in such a way as not to put the life companies in a competitive disadvantage with the casualty and specialty writers, and Blue Cross, and should be required, therefore, of all companies, and additionally, there should be a statement as to how the reserves could be drawn down.

Asked by Mr. Bohlinger if the life companies want a law of this nature, Mr. Pike answered that he doesn't know, there has been no expression on that.

Warns of "Near Chaos"

Mr. Smith then said that his company expects group A. & H. to contribute to the surplus, as should any line, but the question is whether the states should regulate it. There might be "near chaos" in the management of some companies if the law were passed, he warned, saying that there are many factors involved, including the status of the line at the beginning of the year, the history of the line, the strain on surplus involved in getting new business, and the current status of the claim ratio for the line in question. In the light of those factors, Mr. Smith asked how a rule could be laid down as to how part of the surplus should be earmarked.

Where would such a practice stop? he queried. If it is appropriate for group A. & H., why not personal A. & H., family policies, etc? Logically, it would be carried to every line until the surplus was almost all earmarked away. Then if the company got in a jam in any one line, to what extent could it draw on surplus? Mr. Smith said he feels that legally the departments could not prevent a company from using any part of surplus it wants to satisfy needs.

The problem of handling new business is one of the big reasons why surplus in the group A. & H. department has not grown in recent years, he explained. First year costs are high. Equitable found after a breakdown of the gain and loss exhibit for group hospital, surgical and medical expense that 1951 renewals showed a 2% gain, but the new business cost 16%, and there was a 1.7% loss on the line. The tremendous increase in premiums has held back surplus gains, he said. In 1950, the company was 5% ahead on renewal business, but new business cost 25% of premium income.

Fictitious Statement

Requiring contingency reserves on group A. & H. would result in an annual statement that would at least in part be fictitious, he declared.

Mr. Bohlinger asked Mr. Smith for his definition of a contingency reserve, and got the answer that it is "the money in the bank against a rainy day" and, insofar as the Equitable is concerned, surplus and contingency reserve are more or less the same.

Frank H. Meyer of General American Life said that under the Missouri rules, group life reserves are treated as a liability and are not in the surplus. From the standpoint of the power of the state officials, their authority would only apply if the money is a liability and not a part of surplus.

The meeting started 40 minutes late before a full room. Mr. Bohlinger was tardy, and then he had to wait 15 minutes before another state on the subcommittee could be located. Finally, Roy Atwell of Michigan was rounded up and made to sit through the proceedings.

Rash of SS Bills Has Broken Out

WASHINGTON — The House having passed the Doughton social security bill, and the Senate finance committee having begun its consideration, a rash of new social security bills has broken out in Congress on the verge of the national political campaign. Among these are the following:

By Mack, Washington, to increase OASI benefits, revise the benefit formula, and increase from $50 to $100 per month the amount of earnings permissible without forfeiting benefits.

By Rogers, Florida, to increase OASI benefits, and repeal the retirement test.

By Multer, New York, to increase permissible earnings from $50 to $80 per month. By Radwan, to repeal the $50 work clause. By Rankin, to provide for monthly insurance benefits to widows of individuals who died before Jan. 1, 1940.

By Cole, New York, to provide that ministers may elect to receive OASI coverage by treating service performed in exercise of their ministry as self-employment.

By Hagen, to provide for $10 increase in monthly expenditure for any individual for purpose of determining amount of federal payments to the states for aid to the permanently and totally disabled and beneficiaries of public assistance programs.

Launch First Hospital Plan for Individual Insureds

The pilot hospital admissions plan of Health Insurance Council for holders of individual policies goes into effect July 1 at Columbus, O. This is the first plan of this sort and there are 13 hospitals and 17 insurance companies which have entered into agreement. If the plan is successful it will be copied in other cities alongside the group admissions plans.

Stirling Succeeds Clark

Harold V. Stirling, who has headed the veterans administration insurance operations, has been promoted to succeed Maj. Omer W. Clark as deputy VA administrator. Charles G. Beck, who has headed the VA district office handling insurance and death claims at Ft. Snelling, Minn., will succeed Stirling as assistant administrator for insurance.

Raise for Minn. Regulators

On July 1 all employes of the Minnesota insurance department will get a cost-of-living pay increase ranging from $5 to $25 a month.

Three of the commissioners pictured at the annual meeting of N.A.I.C. at Chicago: Leggett of Missouri, Bohlinger of New York and Knowlton of New Hampshire.

N.A.I.C. REPORT

Lack of Uniformity in Life, A. & H. Form Supervision Cited

A report on state supervision over A. & H. and life insurance policy forms was submitted to the N.A.I.C. interstate cooperation committee at the Chicago meeting Monday. The report was signed by Bohlinger of New York and the work on it was done by Max Sugat of the New York department.

This report tabulates and describes the requirements, activities and expenses of the insurance department in the regulation of A. & H. policies and life policy forms. Much of the data was collected by questionnaire but personal observation was made in 12 states.

"This report," it is stated in the preface, "demonstrates that there is simultaneously a low degree of uniformity and a high degree of duplication among the states in supervision of life and A. & H. policy forms. The waste resulting must be reflected in higher costs to policyholders — an expense which can hardly be justified in the majority of the states by the standards of current regulation."

A subsequent report will describe and analyze possible solutions to the problems that are mentioned.

Incidental reference is interesting to the effect that the so-called A. & H. policy experience exhibit is being used to practically no extent by the states. The companies have been required since June 30, 1949, to file annually their loss experience by policy form with each state. Considerable time was spent in drafting the supplemental exhibit, the report states, "but indications are that most states have made little or no use of the information supplied in this exhibit, nor have established any loss ratios as minimum standards."

Proposes House Study of Employe Benefit Covers

Rep. Boggs, Republican, Delaware, introduced a resolution calling for House study of all types of employe benefits. The proposed inquiry, which would be conducted by the ways and means committee would be designed to give a picture of the integration and overlapping of private and government benefits for workers.

Prudential Details Its A. & H. Policies, Sales Start June 30

Prudential has termed the placing of its individual sickness and accident program on the market beginning June 30 as one of the most significant steps in its history.

Under plans announced by Ardell T. Everett, 2nd vice-president who is in charge of the program, the new non-cancellable coverage will be introduced on a staggered basis with certain offices making their initial sales next week and others following at short intervals. It is anticipated that the introductory program will be substantially completed by the end of July.

Where Prudential district agents are represented by the Insurance Agents International Union, which has not accepted the company's compensation plan, selling will be confined initially to the ordinary type of contract which will be offered by the ordinary agencies and the managerial staffs of the district offices. Debit business will be solicited in those states where agents are represented by International Union of Life Insurance Agents and in those states where agents are not represented by a union.

Individual contracts will offer loss of time, with accidental death or dismemberment, and surgical and hospital expense benefits. Ordinary contracts, with premiums payable in the same manner as ordinary life premiums, will carry a maximum loss of time benefit of $500 per month. Hospital benefits up to $15 per day will be available and surgical expense protection up to $300.

Debit Limits

Debit policies, with premiums collected monthly, will have a maximum loss of time benefit of $150 a month. Hospitalization coverage will be available up to a maximum of $10 daily. Surgical benefits will be provided up to a $300 top.

Hospital and surgical expense policies, in both the ordinary and debit categories, will be offered on either a personal or family basis.

Income protection coverage benefit payments can continue from one year sickness and two years accident, as a minimum, to ten years of sickness and lifetime accident. These policies are non-cancellable and renewal is guaranteed.

The normal elimination period—seven days in the case of disabling sickness and no waiting period after an accident—may be amended at the applicant's option to provide elimination periods as great as 90 days. In some instances the elimination period may be set at six months or even one year.

Hospitalization and surgical expense protection policies are guaranteed renewable to age 65. However, the company reserves the right to change premiums whenever experience with any group or class or risk indicates the necessity for such action. Coverage on children in family policies ceases at age 18.

Prudential has conducted comprehensive sales training programs throughout the country to help agents present the new coverages.

Innovating Chicago C.L.U. Honors Lorraine Sinton

Chicago C.L.U. closed its season with the final innovation of an outing and dinner party, attended by the wives of the members. Miss Lorraine Sinton, who as a lady president was the first innovation of the year, received a pen set in recognition of her work. Entertainment was provided by Robert Lotz, C.L.U. magician.

Reports were played over recordings from principals in the C.L.U. headquarters. The speaker was Ward W. Dayton, Minneapolis investment man, who is a large policyholder of one of the members, Henry Maltenfort, Northwestern Mutual. He recited his reasons for putting so much money in life insurance, despite the fact he is an investment man.

New officers were installed including Robert F. Ober, general agent Berkshire Life, president; Robert K. Schott, manager Phoenix Mutual Life, vice-president; John O. Todd, Northwestern Mutual, treasurer; Oliver R. Aspegren, II, general agent Ohio National Life, secretary.

NAIC Securities Valuation Report Contains Changes

The report adopted Wednesday by the National Assn. of Insurance Commissioners committee on valuation of securities and by the N.A.I.C. included some changes from the report of a year ago, most of them having been decided on at the N.A.I.C. meeting last December.

The formula applicable to privately purchased preferred stock without arrears of dividends is modified to provide that where the issuer has outstanding preferred shares having substantially the same protective provisions as the privately purchased issue on which there are available public sales or bid and ask quotation prices, the privately purchased preferred stock shall be valued at a figure on which the dividend paid produces the same yield as that of the publicly traded issue.

Crichton to A.L.C.

Robert A. Crichton, who on July 1 steps out as West Virginia commissioner, will go with American Life Convention in its Washington office. He is an attorney and a former instructor in economics at West Virginia University.

Compares Agent Recruiting with Major League Scouting

Addressing the sales executives conference at Richmond Chester O. Fischer, vice-president Massachusetts Mutual Life, likened the job of the general agent and manager in recruiting new agents to the situation confronting major league baseball management. Despite the scouting program and farm system of the big league teams and the program of selection and training which they pursue, the big-leaguers also make mistakes, Mr. Fischer declared.

L.I.A. Indicates Only Few Direct Placements Resold

L.I.A. is submitting a supplementary statement to the House Heller subcommittee on SEC. It shows that over a period of years only 27/100 of 1% of direct placement securities were resold by life companies.

Institute Surveys Its "Ad" Results

Sampling Indicates Campaign Raised "Stock" of Business

A pilot survey of a limited number of metropolitan families indicates that the 1951-52 advertising campaign of Institute of Life Insurance has had measurable effect on public attitude toward the business.

The pilot survey was designed to measure differences in attitudes between those who were aware of the Institute advertising and those who could not recall having seen it. All questions dealt with the comparative relationship of life insurance to other elements contained in the question, not to an absolute rating of life insurance.

The survey was not intended to be of scope broad enough to determine accurately the attitude of the American public in general, but it indicates that there does exist a more consistently favorable attitude on the part of those who are conscious of the Institute's advertising," commented Holgar T. Johnson, Institute president. "Certainly if the survey were extended to a nationwide basis, there might be revealed differences between various segments of the population. But our research staff, working with the independent organization which developed the survey, feels that the results would still show the consistently more friendly attitude and better understanding of the life insurance business generated by the Institute newspaper advertising."

Where It Appeared

The campaign appeared in 465 daily newspapers, in six farm magazines. It brought facts about the business to an audience of nearly 50 million persons in question-and-answer form and appeared in 1,000-line size.

Several attitude questions were asked the persons interviewed, and following the questions the five most recent Institute advertisements were exhibited and respondents were asked which, if any, they remembered having seen before. Opinions, attitudes, and facts were then tabulated in terms of these two groups: The "seers" (those who had seen one or more advertisements), and the "non-seers" (those who did not recall having seen any of them).

On specific points in the questionnaire, the following are some of the results of the pilot survey, as evaluated among seers and non-seers:

SOME ANSWERS

On the safety of life insurance—74% more of the seers than of the non-seers ranked life insurance as the safest of the choices of places to have their money.

On benefiting the American people—43% more of the seers than of the non-seers ranked life insurance companies as having done more to benefit the American people than the other businesses listed.

On anti-inflation effort—18% more of the seers than of the non-seers ranked life insurance companies as having done more to discourage inflation than the other businesses listed.

On the "extras" of life insurance—Seers held the advantage of non-seers in recognizing the importance of life insurance in providing: for the education of children, by 47%; better housing, 105%; factory financing, by 122%.

On life insurance companies being "better and more honestly run than most businesses"—85% of the seers selected this statement or one more strongly favorable as best expressing their own attitude toward life insurance companies, giving them a 26% advantage over the non-seers in this respect.

On the high type of men who are its agents—57% more of the seers than of the non-seers ranked the life insurance business as attracting a high type of men as its salesmen.

On its agents as a source of unbiased advice—40% more of the seers than of the non-seers feel that their agent is one to whom they would turn for unbiased advice on personal problems.

On the caliber of management—34% more of the seers than of the non-seers regard the management of life insurance companies as being better than most businesses.

Mr. Johnson emphasized that this personal interview survey was considered by the Institute to be merely an indication of the effectiveness of the campaign and not, because of its limited scope, a clear testimony to its nationwide effectiveness. The very consistency of the results, however, indicates the important part that the advertising of the Institute plays in developing "a more friendly attitude toward and better understanding of the life insurance business" among the general public.

Pass "National" Permission

The House passed the Senate bill to allow use of the word "national" in names of insurance or indemnity businesses.

Deputy Mills Now W. Va. Commissioner

CHARLESTON, W. VA.—Hugh N. Mills, a technical expert on state government and finance was named state insurance commissioner today by Governor Patterson.

Mr. Mills, a deputy commissioner for the past three years, succeeds Robert A. Crichton of Charleston, who resigned effective July 1, to take up private law practice.

Term Ends in 1953

The new commissioner was appointed to fill out Crichton's term, ending June 30, 1953, in the $7,000 per year post.

He is the former director of the state legislative committee on government and finance. In that capacity, in 1948, he wrote special reports on the state budget system and on the functions of the state department of purchases.

New Commissioner Is C.P.A.

Mr. Mills, 41, of Ravenswood, is a certified public accountant with about 19 years of experience in state government.

The experience includes 14 years with the auditor's office, of which seven years were as assistant auditor, two were with the securities division and five were with the delinquent lands department.

He was an examiner in the insurance commissioner's office for two years before becoming a deputy in charge of fire and casualty insurance on July 1, 1949.

Kimball Is New Kansas President

Vaughn A. Kimball, New York Life, Dodge City, has been elected president of Kansas Assn. of Life Underwriters to succeed Elliott Belden, Franklin Life, Salina.

Ralph Willcott, Business Men's Assurance, Chanute, was named 1st vice-president; John V. Coe, Massachusetts Mutual, Wichita, 2nd vice-president, and Grant Hoener, New York Life, Great Bend, 3rd vice-president. Elmer C. Moore, New York Life, Wichita, is national committeeman, and Martin G. Miller, Mutual Life of New York, Topeka, secretary.

Brokers Disapprove Defense Department Group Commissions

At the governing committee meeting of National Assn. of Insurance Brokers in New York, a special committee disapproved adoption of the commission schedule proposed by the defense department, which was the scale used under the second war army plan, on group life, health and accident insurance on cost plus fixed fee defense contracts with 500 lives or more. The committee recommended regular commercial scale commissions on the first $50,000 of premium and 80% of that scale on premiums of more than $50,000. Action of the committee will be forwarded to Thomas L. Kane, director of insurance of the office of Secretary of Defense.

Start 5th Farm Bureau Office

Construction has been started at Raleigh, N. C., of a building to house the fifth regional office of the Farm Bureau companies. The 1½ story structure, to be completed in November, will house an office force of nearly 200. A. T. McCarter is regional manager.

Life Insurers Name Committees

Ashley C. Tobias, Jr., president of Palmetto State Life, as president of Life Insurers Conference has announced committee appointments for the year. The second quarterly meeting of the executive committee will be held in Chattanooga on Sept. 18 in the offices of Interstate L. & A. Following are a list of committee chairmen:

Advisory, E. H. Mears, Union Life of Virginia; attendance, Neal O. Tubson, Quaker City Life; auditing, J. T. Smith, Atlantic Life; business standards, Richard B. Evans, Colonial Life; credentials, Stanley G. Brading, Dixie Security Life; laws and legislation, William G. Turpin, Bankers H. & L.; membership, T. M. Kidd, Home Beneficial; public relations, Powell Stamper, National L. & A.; resolutions, J. R. Leal, Interstate L. & A.; statistics, John T. Acree, Jr., Lincoln Income; A. & H., W. P. Tate, Independence L. & A.

Solicitation at Military Bases No Longer a Big Issue, Committee Quits

Lacking any success in getting a change in ruling from the defense department and remarking on a reduction in complaints on life insurance solicitation at military bases, J. E. Day of Illinois, chairman of the N.A.I.C. subcommittee handling this matter, recommended that his group be dissolved and its problems returned to the parent unauthorized insurance committee.

Butler of Texas agreed that there is no longer a need for the subcommittee, and will not be, apparently, unless there is an all-out war.

Wanted All Solicitors Licensed

The subcommittee, Mr. Day said, has been trying to get the department of defense to require that all solicitors at military bases be licensed, but has been unsuccessful in this. He asked the company and department people at the meeting whether they have any recent complaints on these solicitations, and got no response. In the last six months, there has been a noticeable reduction in trouble from this source.

Mr. Butler said that in Texas the department has convinced most companies specializing in military business that they should raise their standards as to finances. Also, because of local pressure, mostly from the life inderwriters associations, some military posts have laid down rules that the company and agent both be licensed, and in a few cases there is a rule that the agent be a member of the local life underwriters' association. C. M. Dunaway of National Assn. of Life Underwriters said that that might be considered to be in restraint of trade, but Mr. Butler said he could see nothing wrong with it.

Zone 3 commissioners, meeting at Chicago, decided to hold their next meeting at Mobile, Ala., Oct. 1-3.

Chicago Mayor Featured at N.A.I.C. Opening

At the first plenary session of N.A.I.C. at Chicago Monday, Day of Illinois extended greetings and introduced Mayor Kennelly of Chicago. Response was given by Wade Martin of Louisiana. New commissioners were introduced including Davis of Mississippi, Mitchell of South Dakota, Takahasi of Hawaii, Smith of Texas, Bushnell of Arizona.

Frank Sullivan of Kansas gave his presidential message and compared the situation today with the meeting at Chicago eight years previously, which was just a few days after the U. S. Supreme Court had handed down its decision in the S.E.U.A. case. That was a day of great confusion and to many the cause of state supervision seemed lost. "However," he said, "through able leadership as expressed by the membership of the association and industry alike, great strides have been made in the cause of state supervision."

Although there has been a strengthening of local supervision, the states cannot relax their efforts in the battle between state supervision and centralization of power at Washington. Despite the fact that N.A.I.C. is only a voluntary organization and cannot bind any individual state, it has demonstrated its efficiency and effectiveness in meeting every situation by prompt and constructive action. For instance, he said, the collapse of the securities market in the early 30's was met by constructive action, by the committee on valuation of securities. The S.E.U.A. decision was faced promptly and decisively by the fostering of the McCarran act and the enactment of implementing legislation. N.A.I.C. has done a splendid job in making the necessary adjustments on the regulatory side to the S.E.U.A. decision.

Changing of the guard for Atlanta Assn. of Life Underwriters as O. C. Dobbs, Atlanta division manager for Life of Georgia, takes over as president from Henry A. Maddox, general agent for Aetna Life. In the photograph, left to right, are Louis F. Bunte, Northwestern Mutual, second vice-president; Mr. Maddox, Mr. Dobbs, and Richard A. Hills, Aetna Life, first vice-president.

Dineen for Company, State Tax Unity

(CONTINUED FROM PAGE 2)

1942 revenue act in which tax advantages were given employes in pension situations so that now the self-employed feel justified in pushing Congressional legislation to gain equality.

While there will be no major action this year, he commented that Congress is now debating the tax status of all types of insurance companies to set the tab for the next few years. He said that his company and others are even now receiving complaints from policyholders about the huge amount of taxes shown on the annual statements and that organizations with tax advantages use them as weapons against the private companies.

Proposal for A. & H. Probe of Group Presented to NAIC

(CONTINUED FROM PAGE 3)

Before anything like rate making is proposed by commissioners for this area, it would be wise if they would check to see what is being done by the industry to police this business.

Albert Pike, Jr., actuary of Life Insurance Assn., commented that there is a considerable difference between cross-applying group gains and a conscious policy of using loss leader rates year after year.

This led a member of the committee, Fischer of Iowa, to inquire whether there is any tendency in the business to use certain lines as loss leaders, that is, to take a loss on certain group casualty coverages in order to get the coverages on which experience will be sweeter. If this is so, this is a violation of the fair trade act, he said.

Mr. Pike still didn't believe there was any conscious use of loss leader lines.

A representative of George Rogers Clark Mutual Casualty affirmed that casualty companies are often squeezed out when life insurers can balance up their casualty experience with their life experience in bidding for groups.

Day asked LeVita if the Maryland department feels states have power to correct such evils if they exist.

Mr. LeVita replied that some states have such powers in the form of minimum premiums.

Fischer felt that what LeVita was driving at amounted to regulation of A. & H.

Edward I. Dirksen of the Illinois department said that he would construe it to be the duty of an insurance department to call a bad rate situation in group A. & H. to the attention of the companies, but he didn't feel that insurance departments need go beyond that.

Several of the committee members shook their heads in agreement and there was a motion to refer this matter to the executive committee.

Mr. LeVita again set the ball rolling on the desirability of adopting an official guide for the filing and approval of life forms similar to the A. & H. guide to interpret and deal with non-statutory requirements.

Butler of Texas said he wondered just what the devil a non-statutory requirement was. The matter was soon after this referred to executive session, but a little later, Mr. LeVita panicked the audience by producing an agenda for the A. & H. committee in 1947, of which Butler was chairman, which contained a discussion of non-statutory requirements.

A third time Mr. LeVita walked as he said "where angels fear to tread," and commented on the non-uniformity in definitions or requirements for wholesale business. He wanted the life committee to explore the possibility of agreement among departments as to what constitutes employe or wholesale insurance, the basic rules as well as required provisions. He said that in some states wholesale is being written on groups as small as two.

The official report of the life committee on the meeting read as follows:

1. "Study of possible effects of atomic warfare on mortality experience." In view of the fact that conditions have changed since this study was proposed, it was voted that this item be withdrawn from the agenda.

2. "War Clause Sub-committee report." Inasmuch as the subcommittee submitted no report, it was voted to remove the item from the agenda and discharge the sub-committee.

3. "What level of contingency reserves are appropriate for various types of group coverage and in what manner should these reserves be set aside—subcommittee report." The sub-committee submitted a report which was received and adopted. The conclusion of said report is quoted herewith.

"In view of the lack of unanimity that appeared to exist among members of the industry regarding the most appropriate manner of dealing with the subject, and in further view of the requirements of some states that such reserves be provided in the case of group life insurance, the committee voted to defer further consideration of the problem until such time as it has been given more thorough study."

4. "Advisability of supervision and regulation of commercial pension funds by state insurance departments." It was voted that the item should be retained on the agenda for future consideration.

5. "Consideration of rules and regulations governing sale of credit life and credit accident and health insurance."

A report of a subcommittee of zone 3 which was received by zone 3 without approval or disapproval was submitted by zone 3. It was voted that the chairman appoint a subcommittee to study the subject and that the report be reproduced and mailed to all commissioners and the associations representing the industry.

6. "To what extent are life insurance companies using group life profits to absorb group acident and health loses?" It was voted to be the sense of the committee that it looks with disfavor upon a practice of having "loss leaders" in any line of insurance business and it holds the view that each line of insurance shall be self supporting.

7. "The desirability of adopting an 'Official Guide' for the filing and approval of life forms, similar to the Accident and Health Guide 'to interpret and deal with non-statutory requirements.'" In view of the lack of interest at this time, it was voted to table this item.

8. "To explore the possibility of agreement among departments as to what constitutes 'employe' or 'wholesale' insurance with basic underwriting rules (as in group insurance) as well as required provisions." In view of the absence of evidence warranting study of this subject, the committee voted to withdraw the item from the agenda.

9. "May a mutual life insurance company write non-participating policies?" It was voted to be the consensus of the committee that mutual life insurance companies should not write non-participating policies unless specifically authorized by statute.

Omit Staff Men from Vote on Committee Reports

(CONTINUED FROM PAGE 4)

what the assistant secretary shall do. The committee recommended that the central office be expanded in a ministerial and secretarial way, but warned that this should not become a policy making office. One good project would be to prepare a topical index of all the proceedings of N.A.I.C. The committee said that an assistant should be employed at headquarters and another stenographer. This would call for $10,000 more expenditure of contributions.

EDITORIAL COMMENT

Protection First, Cost Second

When is the state of New York going to get over its long-standing preoccupation with the difference between tweedledum and tweedledee in the matter of life insurance costs and start directing its attention to the far more vital matter of getting more people more adequately insured, even though it might mean that some of them would find themselves paying more than the lowest possible price?

We ask this question because Superintendent Bohlinger of New York, in addressing the Milwaukee Life Underwriters Assn. last week on the New York expense limitation law, appeared to be a good deal more concerned about costs than about the deadening effect of restrictions in hampering the spread of life insurance protection to members of the public who are either uninsured or woefully underinsured.

"What the law tries to do," he said, "is to insure that policyholders will get their insurance at the lowest possible cost."

We are not prepared to say that section 213, New York's expense limitation law, should be abolished. But when a state presumes to exercise such extraordinary powers over so much of the countrywide sales potential, then it has a duty to make very sure that in keeping life insurance "at the lowest possible cost" it doesn't prevent a lot of breadwinners from getting the life insurance they need.

Low insurance costs are nice but are they everything? Savings bank life insurance is cheap but it's no practical answer to the social and economic problem of getting people to buy adequate life insurance coverage because without salesmen life insurance doesn't get sold. And without reasonable compensation for the agent and reasonable cost margins for the companies a lot of people are going to go short on life insurance because no agent got around to sell them.

By "reasonable" we mean sufficient to get the right kind of aggressive selling job done even if it should mean that some of the less shrewd shoppers among the public wind up paying somewhat more than the "lowest possible cost" referred to by Mr. Bohlinger. After all, a widow would rather be protected by life insurance even if it had caused her late husband to lay out a little more than the "lowest possible cost."

There is a curious inconsistency about New York's insistence on regulating the cost factors in life insurance while exhibiting no concern about most other commodities, even though their costs could be regulated without any risk of hardship to buyers. If New York were to restrict the rate of commissions the Fuller Brush Co. could pay its salesmen, it would be tough on the company and its canvassers but the housewife would get along somehow. She'd have to go to the store for her new broom, but no real calamity would be involved because Fuller Brush commissions were not enough to make it worthwhile for the company to send a salesman around.

But if the woman's husband, because of restrictive state laws, isn't solicited for the life insurance he badly needs, there's scant chance he'll trot down to some agency and pick out a policy for himself. He'll just go without the insurance he ought to have and when he dies his widow and children will have to get along the best way they can.

It isn't enough to say, as Mr. Bohlinger did at Milwaukee, that even the smaller companies operating under New York's laws have shown substantial growth over the last dozen years. The plain fact is that because of inflation and higher taxes Americans are much less adequately insured than they were a dozen years ago — and even at that time the record was nothing to warrant any let-up in the effort to get the people more fully covered.

Also the growth of life insurance in the last decade or so, most of it occurring before inflation caused the section 213 restrictions to really pinch, is no indication of what can be expected under present conditions, even if there should be a little relaxation here and there in the restrictions.

The scare headlines — actual and potential — that newspapers can make out of life insurance cost increases that could conceivably occur if every company should increase its expenses on all possible counts to the proposed limits seem to loom large in the minds of the New York department people and the legislature's Condon committee that is charged with revising section 213. Unfortunately, no newspaper gives any thought to the plight of the widows and the fatherless children who have to scrimp or seek charity because their breadwinners aren't sold life insurance—insurance that can be sold if the companies are permitted to build agency forces commensurate with the need for coverage. Yet there would seem to be far greater danger of giving the public a raw deal by keeping from it, through overly restrictive legislation, the coverage it needs than by letting some buyers pay a little more than the "lowest possible cost."

Admirers of section 213 point with pride to the cost record of insurance among New York admitted companies, with the implication that major credit is due to New York's expense limitations and that the companies would immediately go hog-wild if the restrictions were eased off to any considerable extent. But the real reason that life companies dont' and wouldn't go in for the excesses that a few of them indulged in during the pre-Armstrong days is that they have learned better, just as business generally has learned better. Business men still have their faults, like everyone else, but there's a big change in the past half century, a genuine effort to get clear away from the "public be damned" attitude.

More than that, all companies are trying hard to keep costs as low as they can, consistent with healthy and dynamic expansion. They're not just trying to stay within the section 213 limits. There's evidence, in fact, that relief from some of the more galling restrictions of 213 that are hampering some companies would permit them to operate more effectively and hence reduce costs rather than increase them.

But even if there should be a modest increase in cost for some companies, how important would it be, as a practical matter, to the buyer? To judge from the range of net costs in the business, the answer appears to be, "not very." And it's not because the buyer can't find out about his costs in advance, either. It's true, as Mr. Bohlinger said at Milwaukee, that the final cost of an insurance policy isn't known when it's bought. But company performance is pretty consistent over the years and not too hard for the prospective buyer to find out about if he is really interested in keeping his long-term outlay to the minimum.

If the range of costs among companies were such a vital matter as New York's attitude would indicate, all the life insurance would be sold by a handful of the lowest net cost companies and all the rest would be out of business. Obviously, New York's concern over costs, laudable as it may be, is not shared to any great extent by the citizens in general. They seem to feel, judging by their actions, that the range of costs among the nation's nearly 700 life companies is within reason.

Some degree of cost regulation may be necessary — we're not at the moment arguing that point. What we are contending is that it would be unfortunate, and for many families tragic, if New York's traditional emphasis on the minutiae of cost control were to prevent the department and the legislature from properly appraising the disservice to the insurance-buying public that results from rigid cost controls that interfere with the normal and desirable expansion of life insurance protection.

Whatever a few companies may have done before the Armstrong investigation, there's been no tendency in that direction for nearly 50 years, even among companies not subject to the Armstrong laws. Moreover, there are some attractive net cost figures among companies not licensed in New York. Even without cost expense restrictions, life insurance costs tend to find their proper level within a fairly narrow range, for the company that lets its costs get too far out of line will find it has priced itself right ou of the insurance market.

That is the economically sound road to the maximum spread of life insurance coverage among those who need it. The higher acquisition costs are permitted to go, the more diligently will agents seek out prospects —but only up to the point where buyers' resistance to price makes it impracticable to try to sell insurance at that price.

The facts of economic life should be recognized and there should be an end to the myth that New York legislation and supervision are all that stand between the policyholders and a reckless squandering of their money by volume-crazy company executives.

PERSONAL SIDE OF THE BUSINESS

James R. Wood, president Southwestern Life, has been elected president Dallas county chapter, American Red Cross.

Stanley T. Dingman, associate director of publications, John Hancock, has been elected president Massachusetts Industrial Editors Assn.

O. P. Schnabel, manager Jefferson Standard Life, San Antonio, received a meritorious award from the state health department for leading San Antonio clean-up drives four successive years.

W. Harold Bittel, actuary of the New Jersey department, and Mrs. Bittel and their son, William Bittel, motored west for the N.A.I.C. convention, and also for a visit to Mr. Bittel's parents, the O. J. Bittels of Peoria. W. H Bittel got his insurance start with the old Peoria Life in 1926 after graduating from University of Michigan His son is a Junior at Haverford.

J. E. Larson, Florida commissioner, was unable to attend the N.A.I.C. meeting at Chicago because he had to give depositions in the $30 million damage suit against him and other defendants by Bankers Life & Casualty of Chicago. E. A. Fairdoth sat in for Mr. Larson at Chicago. Zack Cravey of Georgia, who is a fellow defendant in this case, also was absent from the Chicago gathering.

Charles Becker, Jr., assistant to the president of Franklin Life, was married

The NATIONAL UNDERWRITER
—LIFE INSURANCE EDITION
PUBLICATION OFFICE:
175 W. Jackson Blvd., Chicago 4, Ill.
CIRCULATION OFFICE:
420 E. Fourth St., Cincinnati 2, Ohio

Editor: Robert B. Mitchell
Associate Editors: Richard J. Thain, Charles C. Clarke and F. A. Post.
Assistant Editors: Ellsworth A. Cordesman and Donald F. Johnson.

Executive Editor: Levering Cartwright.
Advertising Manager: Raymond J. O'Brien.
Teletype CG-654

ABC

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420 E. Fourth St., Cincinnati 2, Ohio.

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PHILADELPHIA 9, PA.—123 S. Broad Street, Room 1127, Tel. Pennypacker 5-3706. E. H. Fredrikson, Resident Manager.

PITTSBURGH 22, PA.—503 Columbia Bldg., Tel. Court 1-2494. Jack Verde Stroup, Resident Manager.

SAN FRANCISCO 4, CAL.—507 Flatiron Bldg., Tel. Exbrook 2-3054. F. W. Bland, Pacific Coast Manager.

to Molly McLain, daughter of Mr. and Mrs. W. Douglas McLain of Springfield, Ill., and they are now on a wedding trip to Honolulu. Mr. Becker attended Hill school and Northwestern University and was three years in the air corps. His father is president of Franklin Life. Mrs. Becker attended Knox College. Her father is assistant general agent of Northwestern Mutual Life at Springfield.

It was an article in THE NATIONAL UNDERWRITER of May 30 to the effect that **George S. Ling** had been elected executive vice-president American Bankers Credit Life of Miami that gave **Harlow E. Willis**, 2nd vice-president Michigan Life, a line on his old friend for the first time in more than 20 years. Messrs. Ling and Willis were college pals at Saskatoon, Sask.

R. E. Dineen, vice-president of Northwestern Mutual Life, in his warming up remarks during his luncheon address before N.A.I.C. at Chicago Tuesday, got off a crack that was much appreciated. He complimented the arrangements that had been made for the Chicago convention and said that he had been supplied with two bodyguards to prevent him from being served with a subpoena while on the platform. This had reference to the fact that at a recent zone meeting at Panama City, Fla., Commissioner Larson of Florida and Commissioner Cravey were served with subpoenas during a formal session of the convention in the $30 million damage suit that was brought by Bankers Life & Casualty of Chicago.

G. L. Bannister, auditor Pacific Mutual Life, has been elected vice-president Los Angeles chapter, Institute of Internal Auditors.

Bert A. Hedges, manager Business Men's Assurance, Wichita, and **Mrs. Hedges** are enjoying ten days at Nassau.

Herb Langsdorf Jr., New England Mutual Life, Topeka, and captain in Kansas National Guard, is spending two weeks in encampment in Minnesota.

DEATHS

CLARENCE LOEWENSTEIN, 72, with Stumes & Loeb general agency for Penn Mutual Life, Chicago, died at his home following a long illness. He had been with the agency 24 years.

JOSEPH H. CALDWELL, 38, general agent Occidental of California, Reno; **Royall H. Moore**, 28, company regional group supervisor at Sacramento, and **B. M. Thomas**, California manager for Intercoast Insurance Assn., were killed in an automobile-truck collision near Reno.

Mr. Caldwell had been general agent since 1946. He joined the company in 1935. Mr. Moore was appointed regional group supervisor last year. He had been with the company since 1948.

ROY A. LATHROP, 64, general agent State Mutual Life, Minneapolis, since 1920, died there following a prolonged illness. Mr. Lathrop had been with the company since 1910.

WILLIAM F. STOKUM, 59, assistant vice-president New York Life since 1948, died suddenly at New York City. He had been with the company since 1909.

MARGARET L. HOWLAND, 77, wife of Fred A. Howland, retired president of National Life of Vermont, died of a heart attack at her home at Montpelier, Va. Her grandfather, Dr. Julius Y. Dewey, was a founder and president of National Life, and her father, Edward Dewey, was a vice-president.

JOHN H. BALLANTINE, 60, manager group department, Constitution Life, died at Los Angeles.

ELEANOR S. COBB, 41, attorney for Metropolitan Life, died at Manhattan General hospital. She was a graduate of New York University law school and Hunter College.

THOMAS J. MURPHY, former manager Metropolitan, Elkhart, Ind., died at Hines Veterans hospital, Chicago.

Union President Protests Four Prudential Firings

Lynn Imhoff, president of local 76, AFL Insurance Agents Union, has issued a protest against the firing at Chicago by Prudential of four agents who have been convicted in court of vandalism in connection with the 76-day strike last winter. The four discharged are George Enzenbacher, Des Plaines, and Charles McCarthy, Truman G. Carrol and James Conroyd of Chicago.

The union local maintains that retaliatory action now doesn't make sense and that no attempt was made to handle the problem through the grievance committee. Each one of the four was fined for violent action against Prudential agents or Prudential offices.

Long, Delahunty Named

D. C. Long has been elected vice-president in charge of association sales of All-American Casualty of Chicago. G. T. Delahunty was named vice-president and manager in charge of underwriting and claims. There was 65% shareholder representation at the annual meeting at which President M. A. Kern outlined plans for expansion.

OBSERVATIONS

Banker's Role in Direct Sales

Direct placements of bond issues with life companies are sometimes thought of as by-passing the investment banker but more often than not the investment banker has an important role in arranging the transactions and taking care of many of the matters incident to the deal.

For example, Lehman Brothers, New York City investment banking house, in a pamphlet on the subject that it has just put out, notes that the firm's direct-placement activities have included 147 separate transactions since it began doing this work in 1935. These transactions cover loans and equity issues on behalf of 93 issuers aggregating $1,300,530,000. The amounts ranged all the way up to $150 million.

The pamphlet notes that in the early stages of the growth of direct placements as a financing vehicle, direct sales were made almost entirely to life companies but in recent years pension funds and other investment agencies have become substantial factors.

In working on a direct placement with the executive officers of an issuing corporation, the investment banker performs such functions as interpretation of economic and financial trends as they affect the issuer's capital requirements; formulation of financing plans suited to the issuer's particular needs and adapted to the current investment market; preparation of descriptive and analytical data for submission to institutional investors; negotiations with institutional investors of new issue provisions which preserve for the issuer maximum flexibility consistent with appropriate investment safeguards; negotiation with institutional investors of a dividend or interest rate which equitably measures the quality of the new issue and the level of the prevailing money market; and collaboration with the legal staffs of the issuer and the institutional investor in concluding the transaction.

Advertising to Feature Insurer

National Cash Register Co. will feature an insurance company in its consumer paper advertising reaching 18 million readers in the next two months. The insurer is Hanover Fire of New York, which is using one of N.C.R.'s No. 31 acounting machines. The same machine is being used in several life offices for payroll handling, tax report preparation and group premium notices. The machine can be set to do almost any manual accounting job and then can be reset for other operations.

Another Hit by Laflin

Look for "Stardust," the life insurance drama by C. Laflin Jones, executive assistant of Northwestern Mutual, to make the life insurance rounds. This play was specially written for the Million Dollar Round Table meeting at Bretton Woods, N. H. It was pronounced a huge success by the more than 425 deeply-moved life insurance men who viewed it. It is a play which tells the story of the regeneration of a successful life insurance man who gets the "big head." There is plenty of pathos as well as humor in it.

There were six semi-professional members of the Sherwood Players of Milwaukee who made the trip to Bretton Woods just to put on this show. They stayed the entire six days at the M.D.R.T. meeting and were apparently more than worth their hire.

Employes Club of Shenandoah Life has elected Clarence W. Boyer president; Sue Watson, Charles Camp, and Thelma Beard, vice-presidents; Margaret Smith, secretary, and Margaret Fluke, treasurer.

W. T. Earls, Mutual Benefit Life, Cincinnati, the chairman for the 1953 Million Dollar Round Table, shakes hands with Walter N. Hiller, Penn Mutual, Chicago, chairman of the 1952 table at the annual meeting at Bretton Woods, N. H. Because of changes in the by-laws, Mr. Hiller's tenure in office is 13 months and he will be in command until Nov. 1.

AMONG COMPANY MEN

McGinnis Succeeds Cadigan as New World President

John J. Cadigan has resigned because of poor health as president of New World Life and has become chairman of that company. He has been succeeded as president by Roy L. McGinnis, who has been vice-president. Mr. Cadigan was one of the original incorporators and was president of the company for 40 years. Mr. McGinnis has been an executive of the company since 1940.

Sale of the company may be imminent with Ross Bohannon, president of Constitution of Los Angeles, said to be a prospective purchaser.

Life of Georgia Promotions

Life of Georgia has advanced the following junior executives: Sam H. Benedict, assistant personnel manager, to personnel manager; Dean Duggan, assistant chief accountant, to chief accountant; Richard A. Hurd, methods analyst, to manager planning and methods department; Edmund P. Phillips, assistant office manager, to coordinator office operations.

L. K. Porritt Is Retiring from Travelers Ad Post

Longshaw K. Porritt, associate manager of the public information and advertising department of Travelers, is retiring on the advice of his physician after more than 33 years with the organization.

Mr. Porritt joined Travelers in 1919 following service in the first war and for 25 years was editor of "Protection," the Travelers magazine for agents.

Continental Assurance Ups Kraemer, Kirke, Taylor

Continental Assurance has advanced Charles W. Kraemer, agency assistant at Los Angeles, and Bernard M. Kirke, agency supervisor there, to assistant superintendents of agencies. The company has also promoted Lewis T. Taylor, assistant agency secretary, to agency secretary.

Mr. Kraemer has been with the company since 1939. Mr. Kirke joined the company last year, Mr. Taylor in 1950.

State Mutual Names Smith

State Mutual Life has appointed Russell H. Smith, Jr., manager research department, actuarial division. Mr. Smith has been with the company since 1943. He is an associate, Society of Actuaries, and a member Boston and Hartford Actuaries. He is a graduate of Princeton University, and a naval veteran.


R. H. Smith, Jr.

Mutual Service Promotion

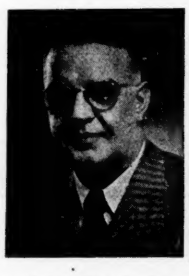
Mutual Service Life has promoted Roman Eller, claims counsel, to director of personnel. Mr. Eller joined the company in 1941. Following army service, he became claims attorney. In 1948 he was appointed regional claims manager.

Three Group Appointments

Occidental of California has appointed John A. Eek assistant regional group service manager at Los Angeles; John H. Huber, Jr., assistant regional group supervisor at Cincinnati, and Frank L. Kendall associate regional group supervisor at Los Angeles.

Franklin Names Duffy, Hott

Franklin Life has appointed John E. Duffy regional sales director at Cincinnati, and Everett L. Hott sales director for Illinois at Springfield. Mr. Duffy joined the Company at Chicago in 1936, and became director of sales in 1950. Mr. Hott has been with the company since 1946.


John E. Duffy


Everett L. Hott

Pacific Mutual Resignation

Charles H. Currier, Jr., superintendent group department, Pacific Mutual Life, Los Angeles, has resigned to enter private business as a manufacturers representative. Mr. Currier was formerly group manager at Kansas City. He was also group manager for John Hancock there.

Bluegrass Life has appointed **Thomas A. Morris** vice-president and secretary. The company has also appointed **Dr. M. S. Jolson,** chief medical examiner, to the executive committee.

New York Life has advanced **James H. McLellan,** assistant manager investment department, to executive assistant.

AGENCY NEWS

Eckert Names Buck to Head New Personal Sales Section

Eckert general agency for Northwestern Mutual Life, Detroit, has named Joseph V. Buck sales director for the new personal sales department which will be devoted almost exclusively to development of pension business. Organization of the department is based upon a large city adaption of the company's district agency system.

Mr. Buck has been in the business since 1936. He is vice-president Detroit Assn. of Life Underwriters, and a veteran.

Miller Sets "Float Trip"

Miller general agency for New England Mutual Life, Topeka, has set Aug. 23-27 for the annual fishing "Float Trip" which will take production qualifiers down the James river through Missouri and Arkansas.

Siegmund Agency Up 61%

Paid volume through May for the Siegmund general agency for Connecticut Mutual Life, Los Angeles, was up 61% over the first five months of last year. The agency is second in company rankings for the year.

Hear Harmon, Chapin

Charles E. Harmon, vice-president Northwestern National Life, discussed "Credit Life Insurance in Today's Installment Banking," and Walter Chapin of the actuarial department, Minnesota Mutual Life, spoke on pensions, at the annual meeting of Minnesota Bankers Assn. at St. Paul.

LIFE AGENCY CHANGES

State Mutual Names Finch Minneapolis General Agent

State Mutual Life has appointed Bradford D. Finch general agent at Minneapolis to succeed the late Roy A. Lathrop. Carl R. Litsheim, general agent there, will resign July 15 to return to personal production at St. Paul. His agency will be combined with the Finch agency in single quarters.

B. D. Finch

Mr. Finch has been in the business since 1946. He is a past chairman Minneapolis L.U.T.C., and a graduate Iowa University law school.

Shaughnessey Heads Mass. Mutual S. F. Group Office

Massachusetts Mutual Life has opened a group office at San Francisco, with Bertram H. Shaughnessy as district manager. Mr. Shaughnessy has established temporary quarters with F. J. Van Stralen, general agent there.

Mr. Shaughnessy has had many years of experience in the group field in Los Angeles and California, first with Occidental of California and in recent years with Northwestern National Life. He is a navy veteran.

Security Mutual Names Rainey Indianapolis Head

Security Mutual Life has named James L. Rainey general agent at Indianapolis. He was formerly with Berkshire Life; an agency supervisor for Missouri State Life; general agent Guardian Life, and manager Great-West Life.

James L. Rainey

Mr. Rainey is past president Indianapolis Assn. of Life Underwriters, and former program chairman Indianapolis Managers. He is a graduate of Butler University.

Conn. Mutual Names Stone

Connecticut Mutual Life has promoted Charleton L. Stone assistant general agent for the Lynch agency, Minneapolis. The company has also appointed Dean B. Tripp agency supervisor. Mr. Stone has been with the company since 1941, and Mr. Tripp has been with the agency since 1947.

Prudential Names Carlson

Prudential has appointed Gordon N. Carlson manager district 2, Harrisburg. He was formerly regional supervisor at Chicago. Mr. Carlson joined the company at Newark, and later became assistant regional manager. He was appointed regional supervisor in 1949.

National Life of Vermont Appoints Blackwood

National Life of Vermont has appointed Donald C. Blackwood general agent at Pittsburgh to succeed Reginald S. Koehler, who returns to personal production.

Mr. Blackwood joined the company as assistant general agent there in 1947. He entered the business in 1943 with Penn Mutual Life. He is 1st vice-president Pittsburgh Assn. of Life Underwriters.

Union Mutual Life Names Kingston Hartford Manager

Union Mutual Life has named Charles T. Kingston manager at Hartford. He was formerly with Connecticut General Life there.

C. T. Kingston

Mr. Kingston entered the business with that company at Philadelphia, and later transferred to New York City, and Chicago. He is a graduate of Trinity college, and a veteran of the last war.

Erwin Hahn Joins Schmidt

Erwin W. Hahn has been appointed manager of the Schmidt agency of New England Mutual in New York City.

During his 25 years in the business he has been sales promotion assistant in Metropolitan Life's field management department, manager of underwriting and insurance accounts for the veterans administration, and assistant secretary of Life Office Management Assn. He is a C.L.U.

Smith New Houston Mgr.

Western Reserve Life has named Clyde F. Smith manager of the new Houston branch at 219 J. Robert Neal building. Mr. Smith entered the business at Fort Stockton in 1947. He is a graduate of Oklahoma A. & M. college, and a veteran.

Gulker, Preston Appointed

Guarantee Mutual Life has appointed Fred W. Gulker general agent at Chicago, and Carroll C. Preston general agent at San Antonio. Mr. Preston has been with the company since 1946.

Fred W. Gulker

C. C. Preston

Names Duckham at San Jose

Guardian Life has appointed Douglas L. Duckham manager at San Jose, Cal. He entered life insurance with New England Mutual in 1948, becoming district agent and supervisor in 1950. He is 1st vice-president of San Jose Life Underwriters Assn. He did graduate work at the Stanford University school of business administration.

Zimmerman Is Advanced

Prudential has appointed Robert S. Zimmerman district manager at Steubenville, O., to succeed D. LeRoy Williams, who retires at the end of the month.

Mr. Zimmerman joined the company at Lima in 1932, and later became staff manager at Findlay. He returned to Lima in 1936.

Carrigan Goes with M. & M.

Marsh & McLennan has named M. R. Carrigan to the actuarial department at Detroit. Mr. Carrigan was formerly assistant actuary Pacific Mutual Life. He entered the business with Metropolitan. He has been an associate of Society of Actuaries since 1948.

ACCIDENT

Sterling Agents Meet

The Sterling of Chicago held its annual agents meeting last week at Highland Park, Ill. General agents from all the states in which Sterling is entered, convened for four days to hear plans for the coming year.

In an informal talk, Louis A. Breskin, president, reviewed the company's claim and lapse ratio. General agents were shown the way to financial success through selling and conservation. Mr. Breskin said: "Our company is a department store. We have something for every person and for every pocket-book. Don't become a specialist! Push every policy we have, and see that all your customers are covered for everything they need."

Charge M.D. Padded Claims

ST. PAUL—Group Health Mutual of St. Paul has had Dr. George F. Engstrom of Belgrade, Minn., arrested on charges that he bilked the company out of $15,000 by padding claims.

The company contends that Dr. Engstrom, the only physician at Belgrade, would have patients sign blank forms when they came to him for treatment and also assign the benefits to be paid to him directly. It was charged Dr. Engstrom would list hospitalization or surgical services which actually never were given to the patient.

Orwigh to Indiana Helm

Indiana Assn. of A. & H. Underwriters has elected Spafford Orwigh, local agent at Indianapolis, president. N. E. Sappenfield, Central Standard Life, is vice-president, and Robert Berry, Hoosier Casualty, secretary.

The association is planning to sponsor a disability insurance sales course at Purdue University, Sept. 15-20.

Lamme Is Dayton Chief

H. R. Lamme, Mutual Benefit Life, has been elected president of Dayton Assn. of A. & H. Underwriters. Arthur M. Cox, Inter-Ocean, was named vice-president, and Spottswood Duke, Ohio State Life, secretary.

The meeting was attended by William A. Knight, Cleveland, president of the Ohio association.

NEWS OF LIFE ASSOCIATIONS

Parkinson Predicts Inflation Increase

A $10 billion increase in available currency by the first quarter of next year will increase inflation and further jeopardize the long-term advantages of life insurance, Thomas I. Parkinson, president Equitable Society, predicted at the annual meeting of Chicago Assn. of Life Underwriters.

Mr. Parkinson used the current level of $192 billion in available funds as the gauge for his prediction.

He attributed the rise to commercial banks which create money by financing government deficits through the purchase of treasury bonds. He added that many of the so-called loans by commercial banks are not actually loans at all, but are investments paid for by crediting the borrower with an account on the bank's books. These "book" investments are realized through non-existing money.

Commercial banks were taken to task for having done little to prevent the increase of inflation through this practice of "dollar adulteration." It was also pointed out that the banks have never been foremost in the real inflation fight.

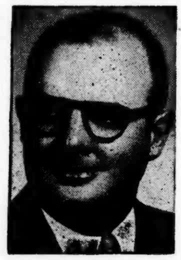
The president urged life insurance management, with the support of the field force, to create a demand for more stable money by "reestablishing the qualities of thrift inherent in life insurance savings."

Mr. Parkinson's forecast echoed the same warning he gave in 1946. At that time he said he hoped to draw from all life companies a statement that would resolve their unity in the face of approaching inflation. He was told then that his timing was wrong. "Now," he said, "the warning has been timed almost out of existence."

Ben H. Groves, Travelers, was introduced as the new association president, succeeding William D. Davidson, Equitable Society. Russell C. Whitney, Connecticut Mutual Life, was installed as 1st vice-president; Freeman J. Wood, Lincoln National Life, as 2nd vice-president, and Roy D. Simon, Penn Mutual Life, as treasurer.

Wood Is Chief of California Agents

R. Edwin Wood, associate manager of Phoenix Mutual Life at San Francisco, was elected president of California Assn. of Life Underwriters at its annual convention at Stockton. He succeeds F. A. Schnell, San Francisco.



R. E. Wood

Other officers are Alpheus J. Gillette, San Diego, vice-president; Reed C. Nelson, Oakland, secretary, and M. E. Baird, Taft, treasurer.

Quality Award Winners, Life Insurance Linked

Seven consistent winners of National Quality Award, and life insurance were linked in the definition of quality as "excellence of character, natural superiority in kind" by William King, manager Fidelity Mutual Life and president Missouri Assn. of Life Underwriters, at a meeting of the St. Louis association.

Officers elected to the St. Louis association were Richard H. Bennett, supervisor General American, president; Lawrence W. Stern, Penn Mutual Life, 1st vice-president, and Gordon F. Cantelon, manager Great-West Life, 2nd vice-president.

Producers receiving awards presented by Mr. King were: Bronson S. Barrows, Nathan H. Burgheim, and J. L. Kohn, Northwestern Mutual Life; M. Jules King, State Mutual Life; Adam Rosenthal, General American; Albert I. Stix, Jr., Mutual Benefit Life; Leonard R. Woods, Massachusetts Mutual Life.

Belden Gives the Word at Central Kansas June Meet

Expressions and choice of words for greater impact upon the prospect were emphasized by Elliott Belden, regional manager Franklin Life, Salina, at the June meeting of Central Kansas Assn. of Life Underwriters at Ellinwood.

Mr. Belden said the prospect should be encouraged to "own" life insurance, not to carry it; he should "complete the questionnaire," not the application; "write his name," not sign here, and he should be told the "contract," not the policy, carries "insurance for," not on, his children.

S. F. Installs Bullwinkle

New officers installed at the last meeting of San Francisco Underwriters Assn. were W. W. Bullwinkle, Guardian Life, president; Hugh W. Davy, Home Life, vice-president; Thomas Sutton, Equitable Society, vice-president, representing C.L.U., and George C. Dankwerth, Reliance Life, secretary-treasurer.

Speaker was Forrest J. Curry, general agent for Penn Mutual. Mr. Curry spoke of the value of human relations, the requisites for personal growth, the need for loyalty in an agency, including a realization and understanding between the agency people and elimination of envy as a motive.

Milwaukeeans Elect Neuhaus President

Milwaukee Assn. of Life Underwriters at the annual meeting elected Arthur H. Neuhaus, Bankers Life of Iowa, president to succeed Gene Ebersol, Lincoln National Life.

Other new officers are William H. Froehlick, Occidental of California, and Donald J. Mertz, Mutual Life, vice-presidents; Harold E. Kasche, Aetna Life, secretary, and Clyde S. Coffel, Phoenix Mutual Life, treasurer.

Following presentation of 95 National Quality Award certificates by J. Lowell Craig, Northwestern Mutual Life, the film "Program for Progress" was shown.

A discussion of N.A.L.U. Memorial Building Fund, and presentation of 100% Membership Certificate to the Knutsen agency, Mutual Life, concluded the meeting.

Denver, Colorado Officers Elected at Joint Meeting

Denver Assn. of Life Underwriters, in joint session with associations from Fort Collins, Greeley, Boulder, La Junta, Colorado Springs, Pueblo, and Grand Junction, heard an address by Charles E. Cleeton, general agent Occidental of California, Los Angeles, and president N.A.L.U.

Denver officers elected at the meeting were Edward G. Robertson II, Prudential, president; J. T. Allen, Jr., Kansas City Life, vice-president, and Carleton Bowman, Minnesota Mutual Life, secretary-treasurer. New state officers are Frank O'Donnell, Union Central Life, president; Frank Rose, general agent Occidental of California, Grand Junction, vice-president, and Robert E. Link, Penn Mutual Life, secretary-treasurer.

Kentucky Central L. & A. has declared a dividend of $1.50 payable July 1 to shareholders of record of June 18.

Topeka—John S. Spencer, Bankers Life of Nebraska, was elected president; Edwin T. Hopfer, National L. & C., 1st vice-president; William Belden, Franklin Life, 2nd vice-president, and Edna Richert, Union Central Life, secretary-treasurer.

Portland, Ore.—A. E. Gravengaard, Bankers Life of Iowa, is the new president, Arthur Stone, Metropolitan Life, vice-president, and Robert L. Rau, Standard of Oregon, secretary.

Flint, Mich.—Mark W. Bills, superintendent of public schools, presented 15 National Quality Awards.

Grand Rapids, Mich.—H. Wayne Parker was elected president. Other officers: F. Ray Beers, vice-president; R. Kirk Smith, secretary; Dan Starmann, treasurer.

Marshall, Tex.—Officers elected to the Oil Belt association are Cliff Bowen, Great Southern Life, Longview, president; Virgil D. Van Sickle, United Fidelity Life, Henderson, vice-president, and Joseph Thomas, American General, Longview, secretary-treasurer. G. Archie

Helland, general agent Connecticut Mutual Life, San Antonio, and president state association, was the speaker.

Saginaw, Mich.—Newly elected officers: Walter L. Kraft, Great-West Life, president; Alfred T. Rummel, 1st vice-president; Arthur P. Umbach, 2nd vice-president; Martin E. Gremel, secretary; William Hale, Jr., treasurer.

Muskegon, Mich.—Nels Holmgren, assistant manager Metropolitan, was elected president. Charles F. Schuler, vice-president; Albert W. Koning, secretary, and Kenneth Mouw, treasurer, are the other elected officers.

Des Moines—The following officers were elected: Rodney Bliss, manager New England Mutual Life, president; Lisle Payne, Penn Mutual Life, vice-president; Richard Ryden, Equitable of Iowa, secretary; Roland Manbeck, Massachusetts Mutual Life, treasurer.

Wheeling, W. Va.—Lawrence C. Heft, Mutual Life, is the new president. Other officers are Robert M. Browne, Equitable Society, vice-president, and Robert L. Delaney, Life of Virginia, secretary-treasurer.

Cincinnati — The new president is Joseph H. Grossman, Union Central Life. Glenn Isgrig, manager Reliance Life, is vice-president; Richard C. Sanford, Phoenix Mutual Life, is secretary, and W. W. Wray, general agent John Hancock, the new treasurer.

Piney Woods, Tex.—Joseph D. Hale, American National Life, was elected president; Curtis Dickson, Southland Life, vice-president, both of Nacogdoches, and Bond Woods, American General Life, Lufkin, secretary-treasurer. G. Archie Helland, general agent Connecticut Mutual Life, San Antonio, and president state association, spoke on "Your Association at Work."

Syracuse—William V. Haggerty, general agent Mutual Benefit Life, was elected president. Others elected were Donald E. Shopiro, Mutual Benefit Life, vice-president; Fred T. Cook, Prudential, secretary, and Grace V. McCrea, treasurer.

Madison, Wis.—Kenneth W. Haagensen, director of public relations, Allis Chalmers Manufacturing Co., spoke on "What Kind of a Salesman Are You?"

Tyler, Tex. — Newly-elected officers: Neill Marshall, American General Life, president; T. D. Whitaker, Southland Life, vice-president; John Williams, American National, secretary-treasurer.

Fort Wayne, Ind. — New officers are Harold Clonch, manager Metropolitan, president; Joseph V. Clevenger, Guarantee Mutual Life, vice-president; Joseph Clark, New York Life, vice-president; Eugene K. Duart, Indianapolis Life, treasurer, and John Ballinger, Brotherhood Mutual Life, secretary.

Hartford—Robert S. House, supervisor New England Mutual Life, is the new president. Other officers are Gordon L. Prior, Manufacturers Life, 1st vice-president; David A. Tyler, Jr., Connecticut General Life, second vice-president; Frederick H. Nauman, Phoenix Mutual Life, secretary, and George A. Wray, L.I.A.M.A., assistant secretary-treasurer.

Wichita—Sherman Huff, vice-president Union National Life spoke on "Essentials that Life Underwriters Should Know to Make a Success." Regular meetings have been suspended for the summer.

Richmond—J. Dallas Leith, Peoples Life of Washington, D. C., was elected president. Other elected officers are: T. Braxton Horsley, general agent Life of Virginia, 1st vice-president; Ransom L. Hassell, manager industrial division, Prudential, 2nd vice-president; Albert Neveux, Jr., general agent Fidelity Mutual Life, treasurer.

C.L.U.'s Choose Officers

Kansas C.L.U.s have installed the following officers: Norval Messick, Aetna Life, Wichita, president; Louis R. Smith, Equitable Society, Topeka, vice-president; John M. Carter, Farmers & Bankers Life, Wichita, secretary-treasurer.

San Francisco C.L.U.s have elected Thomas H. Sutton III, president; Charles H. Biesel, state manager Union Mutual Life, vice-president, and Roger H. Coffee, New York Life, secretary-treasurer.

North Central Indiana C.L.U.s have elected Paul J. Kenney, district manager Prudential, president; Joseph W. Hennessey, manager Jefferson Standard Life, vice-president, and J. Alvin Taylor, general agent Franklin Life, secretary. All are of South Bend.

Buffalo C.L.U.s have elected Lewis C. Slesnick, district manager Prudential, president; Leo R. Futia, Guardian Life, vice-president, and Jaques M. Stryker, Massachusetts Mutual Life, secretary-treasurer.

Indianapolis C.L.U.s have elected W. Howard Bull, manager group department, Aetna Life, president.

Mutual Life Names Clarke

Mutual Life has appointed Robert P. Clarke, Jr. assistant director of advertising. Mr. Clarke joined the advertising department in 1948. He is a graduate of Cornell University, and a veteran.

Win New England Spurs

New England Mutual has advanced two of its managers to general agents. They are Irving S. Bober, manager at Brooklyn for two years and John C. Pittman, manager at Birmingham for the past year.

NEWS ABOUT LIFE POLICIES

Great-West Plan Provides Sliding Date of Retirement

Great-West Life has introduced a retirement income plan which allows the insured to defer setting the date of his retirement to any age between 60 and 70. The plan is geared for those men, whose earnings are still high and who find such a plan advantageous from a tax point of view. Deferment of annuity income permits continued accumulation until the most favorable time from the insured's personal and tax standpoint, up to age 70.

Paid Up at Age 65

This plan becomes fully paid up at 65. Each unit provides income of $10 monthly beginning at 65, payable on a 10-year and life basis. The amount of income automatically increases each year retirement is deferred beyond 65. At any age from 60 to 64, the full amount of basic income may be started immediately by payment of a single premium. The minimum policy will be five units or $5,000 face value. The contract is participating. Death benefits per unit prior to retirement are $1,000 or the cash value, whichever is greater.

On a $10,000 contract issued at age 35, the annual premium is $485.40. The guaranteed monthly life income at age of retirement 60 on this policy would be $68.50; the additional income from accumulated dividends would be $16.44, the total life income would be $84.94 and the single premium required with cash value to provide immediate $100 guaranteed monthly life income would be $6,048.

Lincoln National Raises Dividends

Lincoln National has increased the scale of dividends for the year beginning July 1, 1952. Ratio of interest on dividend accumulation remains at 3%. Illustrative dividends are as follows:

Ages	2nd Year	5th Year	10th Year	15th Year	20th Year
		Ordinary Life			
5	1.88	1.88	2.31	2.85	3.21
10	1.54	2.00	2.71	3.50	4.17
15	1.70	2.26	3.27	4.57	5.40
20	1.82	2.60	4.14	5.78	6.68
25	2.07	3.11	4.90	6.67	7.64
30	2.59	3.76	5.69	7.64	8.67
35	3.17	4.44	6.55	8.66	9.76
40	3.84	5.23	7.54	9.83	11.11
45	4.63	6.18	8.72	11.36	12.82
50	5.61	7.34	10.33	13.36	15.44
55	6.91	8.97	12.44	16.42	18.93
60	8.80	11.25	15.92	20.76	23.10
65	11.69	15.19	21.02	26.15	29.37
		20 Payment Life			
5	2.13	2.50	3.58	4.79	5.55
10	1.79	2.62	3.97	5.44	6.45
15	1.94	2.87	4.53	6.45	7.58
20	2.06	3.20	5.34	7.55	8.70
25	2.29	3.67	6.01	8.29	9.44
30	2.79	4.26	6.68	9.04	10.16
35	3.34	4.87	7.38	9.80	10.84
40	3.97	5.58	8.17	10.62	11.58
45	4.73	6.42	9.13	11.70	12.43
50	5.67	7.48	10.45	13.12	13.59
55	6.93	8.99	12.29	15.43	14.95
60	8.79	11.18	15.49	18.96	16.45
65	11.67	15.08	20.44	23.84	18.50
		20 Year Endowment			
5	2.58	3.60	5.83	8.30	10.04
10	2.21	3.63	6.02	8.61	10.35
15	2.32	3.78	6.36	9.17	10.83
20	2.39	3.99	6.88	9.78	11.32
25	2.57	4.32	7.24	10.05	11.43
30	3.01	4.77	7.62	10.35	11.53
35	3.51	5.25	8.07	10.69	11.62
40	4.09	5.84	8.62	11.12	11.74
45	4.80	6.58	9.36	11.82	11.95
50	5.71	7.56	10.52	12.94	12.34
55	6.95	9.01	12.23	14.93	12.87
60	8.80	11.17	15.34	18.25	13.72
65	11.66	15.05	20.26	23.11	14.99

Connecticut Mutual Life has increased additional indemnity limits as follows: age 10-19, $10,000 age 20-24, $25,000; age 25-55, $50,000.

State Mutual Increases Retention Limits by $25,000

State Mutual Life has increased its retention limits on individual cases from $100,000 to $125,000. Marked expansion at the younger and older ages and including retention ages 66 to 70 up to $25,000 are other major changes.

Limits for waiver of premium provisions are similarly increased to coincide with the new retention limits.

Marked increases in amount limits have also been adopted on existing family income contracts.

Mutual Life has increased its double indemnity limit from $50,000 to $100,000.

LIFE MANAGERS

Los Angeles Institute Set

Los Angeles Managers will sponsor the annual Institute of Advanced Underwriting Aug. 4-15, at Claremont college. The first seminar, devoted to business insurance and programming, will run Aug. 4-8. The second seminar, Aug. 11-15, will cover business insurance and estate planning.

Buffalo Managers Elect

Allen O'Donnell, Equitable of Iowa, was elected president Buffalo General Agents & Managers Assn. at the annual golf tournament and dinner.

Allan W. Carpenter, Penn Mutual Life, is the new vice-president; Emerson R. Smith, Metropolitan, is secretary, and Daniel P. Sullivan, Prudential, treasurer.

Beers Rochester President

Clifford W. Beers, New England Mutual, has been elected president of Rochester Life Managers Assn. He replaces John J. Morgan, Jr., Columbian National.

Vice-president is John J. Higgins, Metropolitan Life; secretary, J. Hobart Rockwell, Connecticut General, and treasurer, Thomas C. T. Buckley, Fidelity Mutual.

Quinly Is Chicago Chairman

Bert C. Quinly, Connecticut General Life, took over as chairman of Chicago group supervisors at its annual outing at Midwest Golf Club, Hinsdale, Ill. He replaces John A. Churchman, Great-West Life.

Dinner followed golfing, and prizes, donated by General Agents R. S. Edwards of Aetna Life, Earl M. Schwemm of Great-West and Ferrel M. Bean of John Hancock, were awarded.

San Francisco Managers have installed the following officers: Don W. Munro, Union Central Life, president; Hugh W. Davy, Home Life of New York, vice-president; J. Denny Nelson, Aetna Life, secretary-treasurer.

Cincinnati Managers have installed Paul Johnson, Fidelity Mutual Life, as president; George R. Hammerlein, Minnesota Mutual Life, as vice-president, and W. Lewis Harrison, Aetna Life, secretary-treasurer.

San Antonio Managers at the June meeting heard a talk by Harold Vagtborg, director Foundation of Applied Research.

Tampa Managers have elected W. D. Nydegger, Gulf Life, president; Scott Lee, New York Life, vice-president, and Mike Vigil, American National Life, secretary-treasurer.

Guardian Training Rally

Twelve field men of Guardian Life attended a training conference this week at the home office. Topics included prospecting, telephone technique, record keeping and time control, guardian contracts, and the company's graph-estate sales presentations. Also included in the program, for the first time, was a preview of Guardian's A. & H. program to be inaugurated in the fall. Wednesday afternoon was devoted to individual conferences with agency officers.

Tennessee Valley's Meet

Tennessee Valley life held its agency convention at Pickwick Resort near Jackson, Tenn. Speakers included G. T. Holland, president; Ralph Thomas, agency director ordinary department; J. C. Delony, assistant secretary; Luke Honeycutt, agency director A. & H. division; J. W. Hemby, assistant agency superintendent; Harold Cure, assistant agency director; and Raymond Richerson, manager industrial department.

Sales Ideas That Work

Vash Young Shares Fortune in Inspiration at New York

Vash Young, agent of Equitable Society in New York, and writer of books on how to overcome negative thinking, mingled inspiration and practical sales advice in his recent talk at the annual meeting of the New York City Life Underwriters Assn.

The gist of his talk was that if anyone wants to improve his life insurance production he should make a list of his handicapping habits and then avoid them "just for today".

"Friends, that is all, but that is enough because for one day an individual who really wants to can live a life free from every handicap he has ever known", said Mr. Young. "Why for one day a person can stop drinking, smoking, gambling, chawing tobacco, flying off the handle, being disagreeable at home, touchy at his office, greedy, anxious, afraid, wasting his time and money. The whole kaboodle can be gotten rid of for one day.

Tomorrow, Repeat Today

"Well, tomorrow is obvious. What has been done once can be done over again. Therefore, if you want to improve your production in the life insurance business start out for yourself and say 'this is what I'm going to do today, and this is what I'm not going to do today.'"

If anyone is not satisfied with his present position, if his feeling "down deep" is anything but peaceful and secure, then obviously his routine needs changing, said Mr. Young. It isn't a difficult situation if approached in the right way.

"Get out a pad and pencil, put down on paper every negative, profitless habit, all the wrong ways of doing things that you can think of," advised Mr. Young. "It's not difficult to make up such a list because each individual knows all about his past and can easily list his shortcomings.

"But after the list is made up, then what? Does the individual say presto-changeo and immediately find himself a new creature? Or does he say to these handicapping habits, 'scram, beat it'? Does he make a pledge and say I'll never do this or I'll never do that?

List Is Private Deal

"No, I have no such heavy chore in mind. The list is the important thing. Now, it need not be shown to anyone. This is a private deal. But the list should be kept handy where it can be referred to each morning. The individual does refer to it each morning and takes a look at those handicapping influences that he has decided he'll be better off without. And then he sweetly but firmly says to himself, 'Not today. I will not do this, I will not do that today.'"

After telling how he arrived at his formula for confident living, Mr. Young described some of his early discouraging experiences in trying to sell life insurance. Then it came to him that all he was doing was offering people money on a safe, convenient installment-plan basis.

"I put two and two together and knew that everybody was not only interested in money but needed money," he said. "So I said that if I could get this idea over to them in a friendly sort of way, get away from all this insurance lingo, and let them know that I am selling money, they are going to buy from me."

What Mr. Young did was to fix up a little chart. On one side he put down a scale of yearly incomes and opposite each one the capital that would be needed to produce that amount. It showed that everybody is behind the eight-ball financially. Then Mr. Young worked out a $1,000 illustration on a convertible policy with a quarterly premium. He figured that anybody could at least afford that. I've gotten most of my biggest cases on this simple chart," he said.

Then he got hold of something that he had found to be worth all the books on salesmanship and it was simply this:

"During business hours I would be in the prospect's office or on the way to one.

"That was priceless for me", he said. "When I made a call I assumed that I'd called my office and they'd said Mr. Brown said he wanted to see me down at 120 Broadway."

Five Minutes Please

To get by the prospect's receptionist and secretary, Mr. Young used this simple device. On Equitable stationery he wrote this letter: "Dear Mr. Smith. Five minutes please. Sincerely, Vash Young.

"I saw plenty of Mr. Smiths on that basis. I knew that I still didn't know much about the life insurance business. I knew that I was in competition with many fine men and women who did know a lot about it but I was unafraid. I knew that I would outwork most of them if not all of them."

During this time Mr. Young got his prospects from newspapers, the magazine Printers' Ink and the bulletin board; he had realized that all the choice people in New York, all the big-shots, had been alphabetically arranged for his convenience on the building directories. The little ones didn't get on there, just the big ones.

After selling a lot of small buyers Mr. Young began to move up a little. One big-shot who had given him the brush-off happened to run into Mr. Young and asked why he hadn't been in to see him.

"You know doggoned well why I haven't been in to see you," Mr. Young answered. "After telling me that you want a policy you gave me to understand that I was annoying you by presenting it to you. I don't annoy anybody if I can help it, so I just crossed you off my list."

Six Months Is Now

One day he ran into a man who said, "See me in six months." Mr. Young went into the man's office next morning and said, "as far as I'm concerned the six months is now. You can't guarantee that you'll be here in six months and I'll almost guarantee that your family will be here and need protection meanwhile. I'll show you how to get this protection without it costing you hardly anything." This resulted in a sale.

Then Mr. Young went to the head of a business and sold him on the idea that most of the people working for him were trapped financially. He told the employer, "I am sincere in what I am doing, I can release that trap in a safe, convenient way. I wish you would make it possible for me to contact them." The employer did this and in six weeks Mr. Young sold seven or eight people. Then he called on the employer and said, "I have an apology to make. I have been rendering this service to all your fine people in the shop and I have entirely overlooked you. Now let me show you this little thing." The result was the sale of a $50,000 convertible policy.

"What pleased me most was that he sold some securities to pay the premium," said Mr. Young. "I made my proposition look better to him than his securities."

Full Line-up of Prudential Leaders Meet at Victoria

More than 160 Prudential representatives will gather for the first time in a single meeting at the Western Leaders Conference next week at Victoria, B.C.

Harry E. Wilkinson, director of agencies, Los Angeles, will be chairman of the opening session. Speakers will include Harry J. Volk, vice-president, Los Angeles; Robert M. Green, vice-president, and A. Gordon Nairn, director of agencies, Toronto; George T. Wofford, 2nd vice-president, Los Angeles; John H. Schumacher, Sacramento; Vega L. Brown, Salt Lake City.

G. Carl White, executive director of agencies Los Angeles, will be chairman for the closing session. Talks will be given by Valentine Howell, executive vice-president and actuary, and Ardell T. Everett, 2nd vice-president, Newark, and Mr. Volk.

Mont. Commisioner Race

John J. Holmes is unopposed for the office of state auditor in the Democratic primary in Montana July 15. He is ex-officio insurance commissioner and there is scarcely anybody now living that remembers anybody else ever having held that office in the state. He has been there since 1932. There are four candidates for the state auditor position in the Republican primary, they being Bruce O. Mefford of Missoula; Alex Cunningham of Helena; Harry C. Upshur of Butte, and Chris A. Haeckel of Bozeman.

RECORDS

Production for the first five months of 1952 of paid ordinary business for **Minnesota Mutual Life** was $40,316,514, a $7,681,487 gain over the 1951 record. The average of paid ordinary business during the first five months was $8,063,-303. Paid group life production for the five months was off $15,827,949 from the 1951 total of $28,104,909.

Paid business for May for **Midwestern United Life** totaled $2,084,295. Insurance in force reached $48 million.

Insurance in force for **New World Life** is set at $117 million. Assets total $26 million, surplus $1,800,000.

Paid production through May for **United States Life** was up 183% over the first five months of last year.

Paid production for May for **Franklin Life** totaled $25,350,000, while paid business for the first five months reached $125 million, a 7% gain over the first five months of last year.

N.A.I.C. Has Busy Week

(CONTINUED FROM PAGE 1)

larger than the room could accommodate, the group moved to a larger more comfortable space nearby. Roy Tuchbreiter, president of the Continental Companies of Chicago, was general chairman, and a group of seasoned campaigners acted as first lieutenants including such as Neil Russell of Chicago Motor Club, Chase Smith of the Kemper companies, and Ralph Jones of the Continental group.

Most of the commissioners and their wives were entertained Sunday evening at a two-step party, starting with cocktails at the Conrad Hilton and then moving on to the Edgewater Beach hotel for more cocktails, a buffet, and then to see Xavier Cugat's show. Host was Old Republic Credit Life of Chicago and President James Jarrell. Also in the party were representatives of companies that are members of Consumer Credit Insurance Assn., the founding of which is credited to Mr. Jarrell.

The Pamunkey Tribe of Real Indians never had it so good as they did at the ceremonial that was held Tuesday night, under the solemn guidance of Thomas Watters of National Board of Fire Underwriters and Clarence Klocksin of Northwestern Mutual Life. Initiated into the order were 150, which is the largest class ever taken in at one time, and at $10 a head that made it a big night for the Indians.

The Pamunkey gathering under the new all-business no entertainment plan for the commissioners convention promises to serve a much more important purpose in the scheme of things than it has in the past. Thus, at Chicago, this was the only occasion for a general get-together of the convention group and it provided a fine opportunity to rub elbows and discuss problems in a somewhat relaxed atmosphere and with the spirit of comradeship that the ceremonial produced. It will undoubtedly in the future be even more of a convention fixture than it has been.

The group was brought together for a luncheon Tuesday that was addressed by Robert E. Dineen, vice-president of Northwestern Mutual Life and former New York superintendent. He made a telling speech that was nicely organized to appeal equally to fire and casualty as well as to life insurance people. The local committee provided by way of entertainment the famed Purdue Glee Club.

There were three present from Puerto Rico, seven from Canada and five from Hawaii.

The Hawaiian delegation was a popular group. They came with 35 leis which Commissioner Sakae Takahashi presented to Mrs. J. Edward Day, wife of the Illinois insurance director, and her guests at Mrs. Day's luncheon Tuesday for the wives of commissioners. Other Hawaiians on hand were A. J. Coney, vice-president of Pacific Ins. Co.; Fritz H. Kleene, vice-president Home of Hawaii, and Ernest Kai, counsel of Hawaii Fire Rating Bureau.

The Fraternal Blank Gets Attention in September

The fraternal blanks subcommittee of N.A.I.C. at Chicago reported progress in the direction of setting up a modernized annual statement blank for the fraternals. The joint committee of fraternal lists and department men will have a conference on this in September. This will be concerned mainly with working out details inasmuch as agreement has been reached on general principles. George McAteer of Washington state is chairman for the N.A.I.C. and Walter Rugland of Aid Assn. for Lutherans, for National Fraternal Congress.

The meeting is to get under way at Traverse City, Mich., Sept. 8. After that the aim is to be able to send out generally a suggested instructions sheet covering the proposed new blank and to solicit criticism. It is hoped that the matter can be tackled by the blanks committee in January and be up for final action at the April, 1953, meeting of the blanks committee.

Can Use Any Dentist

Attorney General Goldstein of New York has ruled that a dental group insurance plan which limits insured's choice of dentist to those under contract to the insurer is contrary to New York law. The law authorizes the performance of an insurance business and not the practice of dentistry by an insurer, the attorney general ruled in an opinion asked by the insurance department.

Brotherhood Mutual Life has been licensed in Kansas and Florida. Kansas headquarters are at Keystone Heights.

University of Illinois business management service has just published in full the papers delivered at the fourth annual advanced underwriters' clinic at the university last August. It is available at $3.50 from the university's business management service at Urbana.

Occidental of California has named **Donald R. Mathis** assistant brokerage manager at Houston. He was formerly with New York Life.

Bohlinger Discusses 213 Stand

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limitation section which has worked throughout the years and substitute therefore a new section based on a different philosophy, the advantages of which are conjectural?

"In considering why the practical operation of the law has been so successful, we must keep in mind that the law is primarily a limitation not on commissions but rather on the amount of money which a company may spend in acquiring new business. Of course, commissions are one of the major expense items which a company incurs, but to the policyholder they are not different from other company expenses. What the law tries to do is to insure that policyholders will get their insurance at the lowest possible cost."

VARIETY NEEDED

Mr. Bohlinger said that it should also be pointed out that a company may choose to operate in any of various ways.

"None of us wants a law which tells a company that it may spend a certain headquarters at Keystone Heights. amount for advertising and another amount for branch office expenses," he said.

"In revising section 213 we must realize that no one can definitely say that any one method of operation will achieve the objectives which we all want or that another method will not do so. There must be room for all reasonable methods and it will then be possible for the one which best does the job to prove itself."

Soliciting Agent Problems

Mr. Bohlinger discussed at some length the matter of separating the soliciting agent's compensation from that of the general agent with whom he has his contract. Section 213 prescribes a scale of renewal commissions and then provides that a managerial company may pay a soliciting agent two-thirds of this scale. The argument has been made, said Mr. Bohlinger, that the compensation scale of a soliciting agent in a managerial company is fairly definitely set out while the maximum scale which may be paid to the soliciting agent of a general agency company is not clearly stated in the law, since the limit applies to the combined compensation of the soliciting agent and the general agent.

"It has been suggested, therefore, that the law should state separately a maximum compensation scale which would apply to all agents irrespective of the method of operation, whether managerial or general agency," Mr. Bohlinger said. "While at first blush it may seem plausible to place agency managers and general agents in the same category this merging of functions is not justifiable when viewed in the light of their respective responsibilities. General agency and branch office systems are two basically different types of operations."

Mr. Bohlinger pointed out that while a company's liability for compensation to a manager ceases on termination of the manager's employment, the new business production of a general agent creates a large potential liability for renewal overriding commissions. He emphasized that removing the statutory limit on general agents' commissions would make it possible for aggressive general agency companies to substantially increase the amounts paid general agents and "this situation could result in cutthroat competition among companies to outbid one another for general agency material."

If this came about, he said, unhealthy increases in the cost of acquiring business would also be inevitable—the very situation the expense limitation law was designed to avoid.

Fears General Agent Competition

"Such competition also could be detrimental to the growth of many small and medium sized companies," he said. "This is true because other companies in the same class with relatively larger surplus funds could offer higher inducements, thereby attracting general agents away from the companies less well off. Therefore any amendment to the law which might result in an inordinately high cost of agency development will work a hardship on small or medium sized companies with limited surplus funds."

Saying that many companies contract directly with their soliciting agents even though they are on a general agency basis, Mr. Bohlinger said it is this development that has led to the statement that soliciting agents are not all being treated the same under the New York law. However, he said that the combining of the soliciting and general agent's commissions under the New York law does not of itself work a hardship on the soliciting agent for the compensation which a company will pay is determined by agreement and bargaining, not by the New York law.

"There are successful companies op-

erating on a managerial basis which pay high commission rates, while others equally successful, pay substantially lower rates," he said. "Similarly, we find companies operating on a general agency basis where the soliciting agents get relatively low commissions. Other instances can be found where the soliciting agents' commission rates are substantially greater than those paid by many managerial companies. All of this points up the fact that commission rates are not the answer to adequate agents' incomes. Some agents whose contracts call for relatively low rates make very substantial incomes while others whose contracts call for higher rates do not do as well."

CONTRACT CONTROL

Mr. Bohlinger said that the "contract control" on renewal commissions is clearly spelled out in the law and that the only person involved who can, with any substance, claim that he does not know his ceiling is a soliciting agent in a general agency company. He said it would be possible to make the "two-thirds" rule applicable to all soliciting agents rather to only those operating under the supervision of a local salaried manager but he warned that before taking such a step "we all should consider carefully some of the possible consequences."

Pointing out that the commission rate is not the sole index of an agent's "take-home" pay, he said that an agent selling for a low-cost company has a competitive advantage, other things being equal, over the agent of a higher-cost company and an increase in the rate of compensation to the low-cost company's agent might increase costs sufficiently to cancel out his competitive advantage.

Since the law applies to the company and limits its expenses, another possible consequence of the two-thirds rule for all soliciting agents might be the transformation of soliciting agents into company employes, said Mr. Bohlinger.

"How then could the general agent still maintain that he is an independent contractor?" he asked. "Furthermore, some companies still follow the practice of contracting with the general agent and allowing him to contract directly with soliciting agents. How could this method of operation continue if the law were to spell out a limit on the compensation rates of a soliciting agent?

Must Assure Flexibility

Stressing the need for flexibility of operation, Mr. Bohlinger said that there must be enough of this so that a company may pay more to a general agent and less to a soliciting agent if it feels that this method will best suit its needs, or permit it to do the reverse if it is convinced that it can achieve better results in this manner.

Should the law be so drawn as to limit a company in the way that it may slice the compensation pie, "it might well sound the death knell of the general agency system of operation," said Mr. Bohlinger. The general agent's status as an independent business man would be destroyed if he were placed in the position of a branch manager. The history of life insurance has shown that there is room for both methods of operation, he said. It is his belief that the expense limitation law should do nothing that might tend either to favor or penalize the established pattern of either type of operation.

"While some change conceivably may be desirable, we should think very carefully and consider all its potential implications rather than seize on a particular amendment to the law as a panacea," he declared.

Before any future section 213 legislation gets to the drafting stage, Mr. Bohlinger apparently wants the companies, the agents, and the department people to get together and agree on principles.

"We should not let preoccupation with the details or the minutiae involved keep us from dealing first with the basic questions of what we want to accomplish," he said. "Following this we can translate principles into legal terms."

Mr. Bohlinger expressed approval of having a provision for training allowances in the law but said that if adopted they should be so established so as to be at their maximum the first year, diminishing thereafter as the new man gains experience until they are finally cut off by the end of the third year of such training.

He also expressed approval of changing the law to permit payment of an additional 5% overriding to a general agent so as to permit him to pay his soliciting agents 55%, the same as managerial companies.

Prefers Amendment Route?

Mr. Bohlinger's Milwaukee talk seems to indicate a definite preference for effecting changes in section 213 through the amendment route rather than by substitution of a new article as was proposed by the companies. For one thing there was his statement quoted previously in this report in which he questioned the wisdom of discarding lightly the known advantages of an expense limitation section which has worked throughout the years and substituting "a new section based on a different philosophy, the advantages of which are conjectural." Earlier in his talk he said: "There are those who believe that anything short of a complete revision would be ineffective. There are others, however, who believe that the basic philosophy and structure of the law are sound. They deny the need for a complete overhaul."

Mr. Bohlinger said that, "It has been repeatedly alleged that the present law has inhibited the growth of the small companies and has served as a barrier against the admission of new life companies in New York state." However, he denied both these allegations and marshaled figures to show that the small companies have grown substantially in recent years. He observed that no less than 10 out-of-state life companies have been admitted to New York since 1929, that three new domestic companies have been organized and five assessment or cooperative companies have been converted to legal reserve life companies, thereby putting themselves under the expense limitation law.

"In the light of the above, it would seem that the law neither inhibits the growth of New York licensed companies nor hampers the admission of new companies," he said.

However, Mr. Bohlinger did not attempt to predict the future plight of the smaller companies in fighting the inflationary pressures that have become much more acute in the last few years.

The meeting was so hugely attended that it had to be held at the Milwaukee Eagles club house. The speaker was introduced by Robert E. Dineen, vice-president Northwestern Mutual, Mr. Bohlinger's predecessor as New York superintendent.

There was a great deal of interest in the question and answer period following Mr. Bohlinger's talk. The questions were handled by Nathaniel S. Seefurth, Northwestern Mutual, Chicago, chairman of the committee on special laws and legislation. The questions were submitted in writing by the audience and Mr. Seefurth made a selection of them. The questioning went as follows:

Q—Whose move is it now to start another drive to amend the law? A—Who wants the change the most?

Q—You gave a good analysis of the matter. What are your recommendations? A—The amendment should cover certain areas where relief is needed. I am opposed to separating security benefits from compensation. The agent's ceiling depends upon his ability to produce. How much do agents make? The figure of $3,700 average income is frequently quoted, but the figures have not been proved. I will not support any bill that will increase the cost of life insurance. Please help me to determine what agents are earning and demonstrate their needs.

Q—What caused the defeat of the bill after it appeared hours earlier that it would be passed? A—The bill never had advanced to that stage.

Objections to McLain Bill

Q—What were the objections to the N.A.L.U. substitute (McLain bill)? A—There was objection to the proposal that a certain percentage of expense related to commissions should be charged to agency expense when it covered security expense. In the Inland Steel case the federal courts held that benefits flowing from a pension plan are wages or compensation.

Q—Why does a debit agent receive less compensation than an ordinary agent working for the same company? A—The debit agent is covered under another part of the law, under 213A.

Q—How and why does section 213 of the state law have extra-territorial effect beyond New York state? A—All companies licensed by New York state must comply with the law in their operations generally to prevent getting into difficulties. An expense - limiting law must apply generally since the factors that make for safe operation in one state are also important in other states to prevent weakness that would affect all states.

As to why, that is a matter of philosophy. The Armstrong committee found indications of extravagance by some companies. To permit extravagance will affect the net cost of life insurance and the dividends paid by classes. New York residents are the same as people in other states.

Fireworks Fizzle at A. & H. Session

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visions law now adopted in about 18 states, the "brief description" and cancellable and renewable conditions are no longer required, although they are in the remaining states. The brief description, etc., is described in the Official Guide, and Mr. Maloney would like to see at least the notice as to renewal on the front of the policy. New York also is making demands on this.

LeVita of the Maryland department brought up the question, more local with his state than not, of what is the situation when a company submits under the new standard provisions law a rider to attach to a policy approved under the old law.

The Maryland department has this problem, Mr. Pauley declared, because it took the position of freezing benefits under the old policies. He said this had been gone over at the Swampscott meeting, and this problem had been warned against. The best answer, he suggested, would be for the Maryland commissioner to shut his eyes to the problem, in the interests of the policyholders.

Mr. Knowlton said that was a unique suggestion, that a commissioner should shut his eyes.

"I've seen some commissioners that I thought were blind," Mr. Pauley answered, getting applause from the back of the room.

The report noted that where premium volume for a single combination of coverages issued under schedule form policies is less than 5% of premium volume for the schedule form policy, the subcommittee recommends that companies be permitted to merge the combinations of coverage in this category and show them as a single item.

The A. & H. subcommittee had met Sunday in executive session to prepare its report for the A. & H. committee. John Wickstrom of Michigan is chairman of this body, and W. Harold Bittel, New Jersey, is vice-chairman.

The N.A.I.C. program had indicated that the Sunday meeting was to be open, but this was an error, and about 15 company people were politely asked to leave, and had to cool their heels during the

indecisive meeting that morning. The department men hinted that perhaps during the session here would be a call for company participation, so the industry representatives did not dare stray far.

Transfer of Agent's Renewals

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ing, at which point such beneficiaries would receive the balance of commission payments directly from the company.

The terms of the trust should be specific as to the treatment of terminal commissions, and should provide whether they are to be regarded as principal or income. If as income, then they will be distributed by the trustee as and when received, and there will be no trust corpus remaining at the end of the renewal period. If the renewals are treated as principal, the amount received will be invested by the trustee and the beneficiary will receive only the income on the funds so invested. In this situation the beneficiary would be taxed only on the income received, although the trustee would probably be required to include the amounts received from the insurance company in the trustee's own fiduciary income tax return. It is more than likely, said Mr. Barker, that the testator will wish to direct some apportionment between income and principal and he may even decide to confer upon the trustee the right to sell or pledge the commission equities at the trustee's discretion."

Discussing the valuation of commission interest, Mr. Barker said that under the internal revenue code the account should be assessed at its fair market value, but this may be difficult to ascertain where the account is not actually sold. A factor often used in making up the executor's inventory is the commuted value placed on the account by the company in accordance with persistency tables, such value being further discounted into the future.

DISTORT TRUE VALUE

Although experience has shown these tables to be surprisingly accurate, they don't always reflect a true market value, and the figure they produce is generally higher than the amount which the commission interest would bring in an imaginary market place.

The burden is on the executor to establish a fair value for the commission interest, said Mr. Barker. Under the code he has an option to select one year from the date of death as the valuation date. This option must be elected within 15 months from the agent's death. The earlier date would seem preferable in most cases because the commissions received in the year intervening between death of the agent and the optional valuation date would be included in full instead of being discounted.

"It has occurred to me that the executor might receive some assistance from banks and other lending institutions which make a practice of advancing funds on security of renewal commissions and which obviously would provide a realistic appraisal based upon lapses, surrenders, and other hazards that may arise during the renewal period," said Mr. Barker. "Perhaps we should inaugurate a clinic to indoctrinate those fortunate mortals who are destined to become executors of life underwriters."

Mr. Barker said the tax bite which Uncle Sam takes from income and principal has assumed such gigantic proportions that people are often prone to forget about state income and inheritance taxes. It is surprising how little attention is paid by estate planners to state inheritance taxes, although these may even diminish an estate too small to have any federal tax problems, he said. This is another justification for the services of an attorney who is conversant with local laws and estate practices.

To provide cash for the tax payments so that other benefits may not be diverted into the tax till, the will may provide that certain taxes be paid from the residue. This will serve to assure full payment of individual bequests, and may also be important to the agent who has purchased personal life insurance and does not wish this invaded for tax purposes. The estate tax will be due and payable not later than fifteen months after the death of the agent, at a time when only a small portion of the commuted value of the renewal commissions may be available to pay the tax. The same situation may exist with respect to life insurance proceeds payable in installments. Obviously, the best method of providing liquidity is to purchase further life insurance payable to the estate and then direct the executor to use the proceeds to pay taxes.

For those agents who may elect a joint and survivor option in their retirement plans, it should be remembered that the commuted value of this benefit, based on the wife's life expectancy, will be taxed in the agent's gross estate, even though he retains no reversionary interest in that portion of the pension payable to his wife. This feature should not be overlooked in estimating the amount of tax to which the agent's estate will be subjected.

Mr. Barker said he wished he might supply some formula to provide for every contingency and to reap every advantage during the agent's lifetime and after his death, but "as you who have prepared estate plans for clients will know, every project must be custom-made to suit the individual's needs."

Other Possible Routes

Before discussing the testamentary trust plan, Mr. Barker mentioned a couple of other routes for transferring terminal commissions at death, none of them being what he considered entirely satisfactory. Some companies are willing to name the beneficiary as recipient in the commission contract but Mr. Barker prefers the last will and testament method. If the renewals pass to the estate, then the agent can control their disposition in his will.

"While it has been established that the statute of wills is not applicable to a life insurance policy, I know of no decision extending this exemption to a commission contract," he said. "It is conceivable, of course, that the beneficiary might be able to enforce a claim to the renewals in those jurisdictions which allow a third party to recover under a contract made by others for his benefit, but this exception to the law governing testamentary dispositions is not sufficiently well established for lawyers to rely upon it. This type of transfer is still tainted with the same inherent defect as the assignment taking effect at death, namely, it is testamentary and may be held invalid as failing to conform to the requirements of wills.

"All interested parties other than the named beneficiary, such as creditors, other heirs and legatees, would have a selfish interest in claiming that the disposition is invalid, and the estate of the agent would always be exposed to the hazard of a contest. These considerations only serve to strengthen my conviction that the life insurance agent should construct the planning of his estate on the foundation of a good will."

LAWYER NEEDED

Mr. Barker strongly urged that agents engage the services of a lawyer to help them plan their personal estates and that by all means they have a will. He suggested reading the articles on "Taxation of Renewal Commissions" by Henry Blumberg, Chicago lawyer, in the March, 1950, C. L. U. Journal, and on "Notes on the Will of a Life Insurance Agent" by Vincent V. R. Booth, counsel of New England Mutual, in the June, 1951, issue.

Regarding the marital deduction, Mr. Barker said that if the agent bequeaths his renewals to his wife outright and she survives him but later dies within the renewal period, then the fair market value of the renewal account will be subject to taxation as ordinary income in her final return. This could conceivably create as a situation where the surviving wife's executor would be forced to sell the renewal account in order to meet the estate tax obligation.

Mr. Barker said that if the agent has no children and expects none and if his wife is much younger than he is and is more likely to survive the renewal period, then this quirk in the law need cause no concern. But if there are children or some other good reason for keeping a portion of assets from the federal government after the widow's death, then the problem requires some thought.

Plan Presents Dilemma

The first obvious alternative is for the agent to bequeath his commissions to his widow to be received by her so long as she lives, with a further provision that commissions accruing after her death be paid to the children. This plan presents one perplexing dilemma. If the wife's interest is restricted to commissions actually due and payable during her lifetime and she is given no power to anticipate, commute or dispose of the interest after her death, or in other words if the company is legally bound to pay her only the commissions as they accrue under the terminal provisions of the agent's contract, then there would be no danger of an income tax on the value of the account at her death, but there would also be no chance of qualifying her interest for the marital deduction, because she has received a "terminable interest."

This difficulty might be avoided by an absolute bequest of the interest to which the agent is entitled under his contract with the company to his wife and her estate. Under this arrangement, when the date arrives to close the agent's estate and distribute his assets, his executor would make an absolute assignment of all rights under the commission contract to the widow as legatee. Thus she becomes the absolute and unconditional owner of the interest, and the fact that the payments will cease upon the expiration of the renewal period does not, in Mr. Barker's opinion, make this a "terminable interest." Nevertheless, when she disposes of this interest by gift or bequest, then the commuted value may be loaded into her personal income tax return. At the same time, however, Mr. Barker prefers the testamentary trust as a solution, even if the recent Zekind ruling should be interpreted as removing the income tax difficulty.

Industry Apathetic Toward Uniform Deposit Law

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say, "in any case, that in these latter days security has become a popular political fetish here and everywhere and this natural but futile human yearning for freedom from want is reflected in many kinds of ambitious legislative panaceas including recently enacted security or insolvency fund laws in several states. The broad purpose of these funds is to provide means for the payment of claims in the event of the insolvency of an insurer. He mentioned that workmen's compensation security funds are in existence in New Jersey, New York, North Carolina, Pennsylvania and in Wisconsin.

New York is the only state which has established a security or insolvency fund for life insurance claims. New York has a motor vehicle liability security fund and in 1952 the New Jersey legislature set up such a fund and Mr. Kavanaugh mentioned that New Jersey also has taken steps to create an unsatisfied judgment fund.

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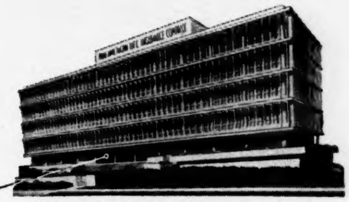

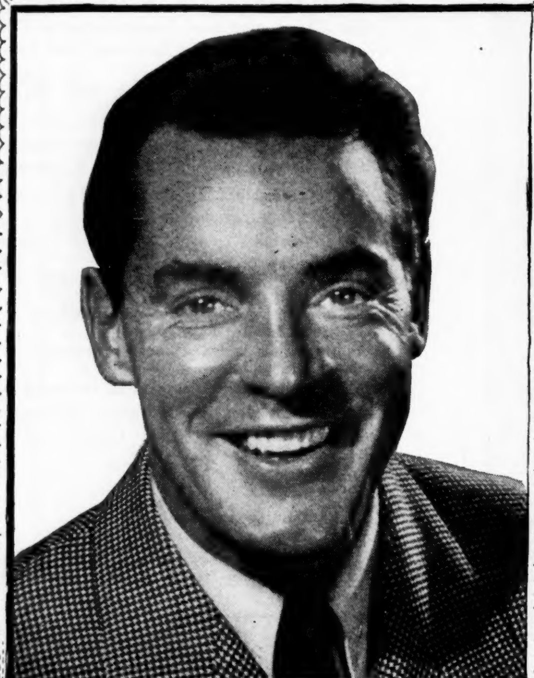

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